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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2373

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ROMANIA

ROMANIAN PICTURE SEEN LESS THAN FAVORABLE

Energy: Severe Austerity

Budapest HETI VILAGGAZDSAG in Hungarian 18 Dec 82 p 35

[Article by Zoltan Horvath]

[Text] In Romania, the mild or severe tirades in the press on energy conservation are already over. Our correspondent who visited Bucharest reports on the practical details of the energy conservation drive that is being implemented everywhere strictly and consistently.

Bucharest is awaiting Christmas frugally, with fewer lights than usual. I arrived in the Romanian capital in the evening and thus immediately had my first taste of the very strict conservation measures that literally apply to every light bulb and which--according to the local press--have been and are continuously being adopted in the interest of balancing the power supply. Along the main thoroughfares, the lights were burning only on every other lamp post, the neon signs were "invisible" and even the bright chandeliers in the fashionable stores had been replaced with an economical fluorescent tube each. As drops in the ocean, also these small signs of the nationwide energy conservation drive indicate that Romania's economic management regards the energy problems as serious and is doing everything possible to solve them.

The present drive began around mid-November. As its overture we may regard a statement by Dumitru Popescu, deputy minister of electric power. His widely publicized comments provided advance explanation of the measures that would affect the population as well. The statement listed the antecedents of the series of measures: the three-month drought had significantly reduced the water level in the catchment areas, therefore the hydroelectric power plants were able to operate only at lower capacity and thus could supply less electric power to the national power grid. As the official responsible for national power distribution, the deputy minister regarded as slow the progress in converting thermal power plants from oil to coal, and he was critical of the wasteful use of electricity, by heavy industrial users and occasionally also by households.

In the days following Popescu's speech, practically every paper and magazine in Romania gave extensive and constant coverage to energy conservation and warned that the already introduced conservation measures had to be observed. Of course, the drive did not consist merely of propaganda in the press. Heavy industrial users had been warned already in the initial phase of the conservation drive:

if they exceed their daily load diagram, they are warned, and 15 minutes after the warning their power is disconnected.

Local economic experts emphasize that these sanctions are less severe than the ones employed last winter when so-called network-protecting devices were installed in the electric power system. These devices shed the load immediately, without any warning, when there was an overload condition. But in this way, as ELORE of Bucharest recalled, often even those who had not been at fault were left without power, not to mention the substantial losses that certain plants and institutions incurred as a result of the sudden power cutoff. In his mentioned statement, the deputy minister expressed the hope that this year heavy industrial users and residential customers would act in a more disciplined manner, and it would not be necessary to resort again to the network-protecting devices.

In the energy conservation drive the authorities are trying to help the population through extensive efforts to enlighten them. There is no end to the various tables appearing in the press, showing how much power each appliance consumes, and how energy can be conserved the most effectively. Frequent are also calculations that show, for example, that one of the peak-load power plants supplying the capital would become superfluous if every household were to reduce its consumption by not turning on a single 60-watt lamp. Within the framework of the energy conservation drive, the maximum permissible room temperature in apartments heated by district or central heating had already been reduced earlier, and the supply of hot water had been limited to the morning and evening hours. Apartment-building committees hold systematic checks to ensure that the apartments do not exceed their allotted power consumption.

Persons I talked to in Bucharest told me that the most critical was the evening peak-load period, during which the power utilities are striving to reduce consumption by every possible means. For example, television goes off the air at 4 pm, resumes its program at 8 pm and about two hours later closes for the day, reminding viewers to retire and get some rest. This of course does not apply to those who want to do their washing or ironing, because household appliances that use much power may be operated only after 10 pm.

Naturally, the energy conservation drive, which requires more discipline and circumspection than ever before, disseminates not only the regulations and sanctions. The propaganda material dwells extensively also on the future prospects. It is emphasized that everything depends on how fast the electric power system will be modified in accordance with the political leadership's objectives.

The plans not only call for Romania's ability to supply the demand for electric power entirely from domestic sources of energy by the mid-1980's; but also for a radical change in the proportions of the sources of energy used. But this concerns the future. The present is the mirror that the main television program places before the Romanian citizen around 8:30 pm, immediately after the evening news broadcast. The data on power consumption, broadcast directly from the power distribution center, are sometimes more exciting than a detective story shown on television.

Agriculture: Command Planning

Budapest HETI VILAGGAZDASAG in Hungarian 8 Jan 83 pp 13, 14

[Article by Gabor Hunya]

[Text] The Council on Agriculture, Food Industry, Forestry and Water Resources met late last year in Bucharest to discuss the timely tasks of Romania's agriculture. The following article examines the organization of Romania's agriculture, its system of incentives, and the detailed production plans that specify how much the state gets from the output of the household plots and agricultural cooperatives, and how much the producers may retain.

In 1982, for the first time in several years, Romania had a good harvest. According to President Ceausescu's announcement, the country with a population of 23 million harvested a bumper grain crop: 10 quintals per capita. At the agricultural conference held the last week of December, however, the president pointed out that a contradiction had developed between farm production and food consumption: parallel with the rationalization of food consumption, it was necessary to utilize the reserves inherent in the organization and mechanization of this branch and in raising its productivity. He warned that the increase in output had to serve primarily the expansion of export, to improve the balance of trade.

Management of Romania's agriculture is based on the principles of command planning. For the past two years, also the population's food supply has been adapted to a peculiar territorial-organizational structure. The cooperative and state farms of several villages, together with their machine tractor stations and other services, form an agro-industrial council. In the absence of economic incentives, this organization is intended to ensure coordination of machine work and transportation among the enterprises concerned. The county agro-industrial main directorates have an even more comprehensive coordinating role. They represent the intermediate level in planning and material and technical supply, between the Ministry of Agriculture and the production units.

The county organization, for example, gathers the machine tractor stations' requisitions for new machinery, checks to see whether they are warranted, submits the requisitions to the ministry, and then distributes among the machine tractor stations the machinery supplied by the manufacturers. (But it is not certain that at the end of this lengthy process the machine tractor station will get the machinery it ordered and can pay for from its financial resources.). Machinery, and also fertilizer and plant protectants are distributed so that each production unit will get as much as possible of the allotment it needs for its production plan, based on scientific norms.

The production plans are broken down at the ministry level by counties, and then --through the agro-industrial councils--by cooperative farms. These production plans are of basic importance: proportionately with the fulfillment and overfulfillment of the production plans, the farms qualify for the surcharges to the government purchase prices, these surcharges being differentiated in accordance with the conditions of farming in the regions where the farms are located. Within a

farm, the individual brigades qualify for progressively increasing additional income, depending on the degree of plan fulfillment. As a barrier to excessive accumulation of wealth, the planning commands become tighter year by year. But an oustandingly good year usually is followed by several years of stagnation or decline.

At every level, the agricultural production plan consists of two parts: the self-sufficiency plan, and the plan of sales to the state fund. Centrally set consumption norms are the basis of the self-sufficiency plan. The self-sufficiency fund of a settlement or county is determined as the product of the local population and of the consumption norms.

Sales to the state fund serve as reserve and for export. The output processed by the food industry likewise flows into this fund. From official statements it appears that sales to the state fund have priority over local supply.

Not only the state farms and cooperatives, but also the household plots sell to the state fund. A member of an agricultural cooperative is entitled to a household plot of 0.15 cadastral yoke, provided he has accumulated the required minimum number of work units in collective farming. Contracting plans are prepared for the villages, and these plans must be fulfilled by the household plots. The local councils break these plans down by families and make them sign contracts. The contracts tie down to a large extent the families' production capacity. The objective is to make the counties self-sufficient in the supply of basic foodstuffs. Thus there are considerable differences in the level of food supply by counties. The supply of fruit and vegetables, and the continuous supply of feed and fodder for the livestock, are creating problems especially in the cooler hilly regions. Only exceptionally are the counties allowed to supply one another. The strict norms on fuel consumption already make such shipments difficult. The vehicles of the country motor transportation enterprise may not cross the county line. In spite of this, megye officials frequently agree on swapping certain farm products. (The counties can get help from the state reserve fund only in exceptional situations.)

The urban population's forays into the provinces for food are rendered difficult by the facts that workers have only one Saturday off per month, and they may be required to work even on Sundays. Moreover, private cars may be used only every other Sunday. Under these conditions the black-market prices of certain items that are in short supply can amount to even four times the official price, although the authorities are doing everything possible to curb black-marketing.

1014
CSO: 2500/112

WEATHER IN 1982 BLAMED FOR CROP PROBLEMS

Prague HOSPODARSKE NOVINY in Czech 24 Dec 82 p 7

[Article by Vilibald Kakos, the Czech Institute of Hydrometerology: "Does Drought Threaten Again?"]

[Text] Given the present inadequate knowledge of atmospheric time cycles, it is very risky to make any long-term weather forecasts for more than 10 days in advance, even if they are only approximations. A reliable answer to the question asked in the title of this article must be put as follows: The threat of a long-term drought for coming years really does exist. This statement can be made no more specific, we can only say that a drought is likely to occur.

In the last dry year, 1976, it was observed (HOSPODARSKE NOVINY No 52/1976) that dry and wet years tend to come in multiyear cycles due to certain inertial atmospheric processes. The relatively dry period of 1971-1976 was followed by the considerably wetter weather of the period 1977-1981. This year, which was unusually dry with very warm summer weather, may be regarded as notable for many reasons and as again signaling the advent of poor precipitation years. This does not mean, however, that this forecast will be immediately fulfilled next year. On the other hand, we cannot overlook that we have local problems in water supply doe to a continuously increasing precipitation deficit even now.

Compared with all other unfavorable meterologic phenomena, such as floods, frost, storms, hail and so forth, drought causes the most extensive long-term losses to the national economy since it affects vast territories, sometimes even encompassing several neighboring countries.

Any long-term forecast such as this one for a coming dry period must be considered tenative and experimental. In some countries long-term forecasts are not even made public because they are not sufficiently reliable. Therefore, the Czech Institute of Hydrometerology [CHMU], which publishes forecasts regularly for a month in advance at most, cannot be held responsible for any other forecasts published in the press.

The CHMU has recently improved its short and medium-term forecasts, and those have main practical significance at present. Regional forecasts intended for progressively growing numbers of professionals from various areas are very helpful. Agricultural specialists particularly are increasingly better informed, since the periodic AGROMETEOROLOGICKY ZPRAVODAJ (Agrometeorologic News) is now published weekly.

Frost and Hazardous Ice

As early as the beginning of this January, we experienced large floods due to precipitation and fast melting of a considerable amount of snow from last year. On 5 to 7 January, the highest relative culmination flow rates were recorded on the Mze River and on the upper part of the Morava River in terms of 20-year cycles (i.e., those repeating themselves approximately once in 20 years). The upper Elbe and Odra rivers overflowed their banks (in the 10-year cycle). The upper Ohre River, the tributaries to the Berounka, the Metuje and Orlice rivers and the middle part of the Elbe River reached their 5- to 10-year cycle peaks. With the exception of the flood in the Odra River basin in June, there were no additional large floods exceeding a 3-year cycle (when usually third-degree flood emergency is declared).

On January 6, the sudden temperature drop of approximately 20°C with very low subzero temperatures caused the fast formation of intrawater (mushy) ice in subsequent days, while the flood flow rates gradually decreased. Another instance of the simultaneous occurence of floods and frost occurred only once in this century, at the beginning of 1979 (following an extreme temperature drop of as much as 30°C, beginning on the New Year's Eve in 1978). In that frosty January, an extreme amount of ice mass formed, frequently creating barriers on parts of rivers. The most massive water swell resulting in local floods occurred then at the end of January and beginning of February on the Berounka River near Beroun, on the Luznice and the Cidlina rivers, as well as on the upper part of the Morava River. The worst situation occurred on the Mze River at Stribro, where the highest water level in its entire history was recorded, 370 cm, at the point of inflow into the Hracholusky Dam.

This extreme case best characterizes this winter as exceptional in terms of cryology. Thanks only to very favorable weather in February, when the amount of precipitation in Bohemia was minimal, 8 mm, (the third driest February since 1875), and with no extensive or sudden thaw setting in, rivers could slowly dispose of the hazardous icy "armor-plate" by gradual sublimation.

The hardest frosts (according to the temperature records in Prague Klementinum) were recorded between 7 and 21 January, when the mean daily temperature was -9.4°C. A colder 15-day period was recorded only eight times in this century. This means that similar subzero deviations can be expected to occur approximately once in every 10 years. However, the last time such a "cruel" period occurred was in February 1956, as many as 26 years ago. Such a long interval is unique in hte Klementinum records, which have been taken since 1775.

This fact indicates that because of the warm winters of the last few years, we are no longer used to half-month periods of hard frost. For instance, in 1979 the frost period lasted only 1 week at the beginning of January but we were unpleasantly surprised nonetheless.

After many years, subzero deviations from normal temperatures were recorded during all three winter months (December, January and February): -1.4°C, -2. 2°C and 0.1°C. Similar long winters repeat themselves with a probability of one in every 6 years. We experienced an even colder winter period in 1969-1970.

This year's pro[illegible] but not exceptional winter with hard frosts in January and t[illegible]ion of January 1979 on the whole confirms the opinion expressed ea[illegible]SPODARSKE NOVINY No 51-52/1978) that there is an increased pro[illegible]ty or occurences of subnormal temperatures in winter months of future years. According to some foreign experts, even this coming winter is expected to fall into this pattern.

Unique Extremes

Spring this year was very short due to the rapid transition from a very cold April to a May with abnormally high temperatures. Soil frozen by the hard winter and the remnants of snow cover in high altitudes caused partial delay in spring fieldwork. However, unlike other years, there were no significant ground frosts, which usually cause considerable damage to future fruit crops. There also began a period of subnormal precipitation in April lasting until November without interruption throughout the Czechoslovak territory. In the entire history of precipitation records there has been only one similar case, the very dry year of 1921.

From May until NOvember, positive temperature deviations from the normal were recorded. Tbis is an unusual case as well, last occurring during this time of the year in 1937, and before that roughly 100 years previously in 1834.

The exceptional, unusually long period of drought and warm weather can be understood more clearly if we consider the total amount of precipitation from February until November, which amounted to only 411 mm. In this period, the precipitation deficit grew to 180 mm, which is only one-third of the regular amount of 591 mm for this period. Larger deficits occurred only in the notorious drought years of 1911, 1921 and 1951, accompanied by all the consequences of a long-term drought. The probability of a repetition of this year's increasingly growing precipitation deficit, therefore, is once in every 25 years. However, unlike the three instances given above, higher positive temperature deviations have been observed this year, undoubtedly resulting in extensive evaporation of water from soil. Only in the catastrophic year of 1947 were temperature deviations even higher, accompanied by the highest precipitation deficit during the growing period (April to September). However, at that time the drought was compensated for by an unusually rainy November and following winter months, a situation not comparable to this year's situation.

The fact that no significant damage has been done this year by this unique combination of drought and warm weather can be attributed to exceptionally favorable weather conditions toward the end of this January. However, January was still abnormal in terms of precipitation since the underground water levels were extremely high. Also, let us not forget that the second half of last year was characterized by just the opposite records (HOSPODARSKE NOVINY No 52/1981). In 1981, we had 886 mm precipitation in Bohemia, which is the highest amount in more than 100 years. That is why the soil moisture balance was favorable for relatively a long time in the spring, in most places until the beginning of May.

It follows from the present analysis that violent compensations for fluctuations in precipitation, temperature and other factors testify again to increasingly extreme atmospheric phenomena and processes in recent years.

The critical deficiency of soil moisture became apparent only at the end of May and beginning of June, especially in lower altitudes in the western part of Bohemia; after a transitional improvement it occurred again in mid-July. At that time the situation also deteriorated in some areas of South Moravia Kraj. There and in the Central Bohemia Kraj we experienced the largest water shortage. Later, the situation extended into Bohemia's northern and north east border areas. In mid-September, all these areas joined, as it were, and drought prevailed almost throughout the entire Czechoslovak territory, with the exceptiona of the North Moravia Kraj and several other small areas.

This deterioration was mainly caused by an unusually warm and dry September, ranking as the fourth driest and warmest since 1875 (precipitation 18 mm and the deviation of 2.7°C above the standard).

That September ended the growing season during which there was the least amount of precipitation in the West Bohemia Kraj, 278 mm, which is 68 percent of a long-term standard. Of all meteorological stations situated in this area, afflicted by drought most severely, the minimum precipitation was recorded in Merklin (the Plzen-South District), 176 mm (only 47 percent of the standard for this area). In the same latitude, so little rain falls only in the steppe climate zone in the western part of Kazakhstan.

In absolute terms, the least amount of precipitation was recorded in the Central Bohemia Kraj (268 mm, 71 percent of the standard). Although Moravian regions were richer in precipitation than Bohemia, a long-term average has not been reached there, either.

The situation improved only slightly in October and November, and therefore the level of water in woil is now low almost throughout the entire Czechoslovak territory.

Farmers Were not Always Happy

During the growing season, rain came only in brief showers (sometimes with thunderstorms) which fell only over small areas. Regional rains falling simultaneously over larger areas were only rarely recorded. Frontal systems simply disintegrated over our territory (sometimes to the great surprise of the meteorologists in Komorany). Therefore, very different amounts of precipitation were recorded not only between neighboring districts but also between meteorological stations that are very close to each other. For instance, in Strasice the recorded precipitation was 306 mm, whereas in Holoubkov only 209 mm. They are both in Rokycany District and only 6 km apart. This year's frequent thunderstorms literally avoided certain locations. We could also give a large number of similar examples for other krajs. Critical water shortage caused by factors other than a hydrogenologic situation could be found in some places (low water levels in wells and the like), whereas no such shortage existed in nearby neighborhoods. In some bore holes drilled by the CHMU to check the levels of underground waters and springs, absolute minimal levels were recorded.

Uneven precipitation also explains the considerable differences in yields of one and the same crop per hectare between neighboring agricultural enterprises farming on soil of an approximately equal quality, although there were also other factors involved.

On the whole, we can observe that this summer, which was unusually long, taking up part of the fall, had favorable consequences for agricultural activities, unlike previous rainy and cool summers. Almost everything was harvested quickly and before the deadline. The weather favored thermophilic plants and so growers of fruits and vegetables harvested very good crops of vitamins after several poor years.

On the other hand, this sketchy analysis of the unfavorable effects of weather anomalies is not intended to make excuses for various shortcomings and problems in agricultural production. However, it is without doubt that in some regions the production plans for cereals, oleaginous plants, potatoes and sugar beet have not been fulfilled due to the drought.

*

Again, this year, with the continental character of weather (cold winter-hot summer), was quite unusual. The meteorologic drought (with a precipitation deficit) accompanied by constantly abnormal high temperatures ranks among only a few such years during the last 100 years. A qualitative evaluation of this extreme year cannot, however, be performed due to the tremendous complexity of the interaction of hydrometeorologic factors in the biosphere, both simultaneous and distant in time. As a

result of retarding effects, the hydrologic drought (low flow rates, low levels of underground waters and insufficiently strong springs) often begins to have an impact only after it has passed.

Therefore, workers in water services must expect to have considerable problems in some areas. Subnormal flow rates in the future and resulting higher concentrations of hazardous substances can make a continuous supply of both drinking and industrial water rather difficult.

9814
CSO: 2400/113

TRANSPORTATION SYSTEM'S ENERGY CONSERVATION MEASURES ASSESSED

East Berlin DDR-VERKEHR in German Vol 15 No 12, Dec 82 (signed to press 30 Sep 82) pp 400-403

[Slightly edited version of paper presented by Dieter Woestenfeld, engineer, deputy minister for transportation, at the 13th transportation study plenum of Friedrich List College for Transportation, Dresden: "Transportation and Energy"]

[Text] In the last few years, the changing energy situation has caused energy and traffic experts around the world to study the possibilities of conservation in the area of transportation more thoroughly than in the past and to draw planning consequences.

This fact is also underscored by important scientific meetings, with international participation, taking place on a growing scale, at which the complex interrelationships between transportation and energy are analyzed and discussed, and concurring ideas on fundamental directions for development are worked out in broad terms.

If we summarize the most important results of past development in this area, we obtain the following abbreviated picture--highly differentiated in individual countries and recognizing many problems in the bases for calculation:

1. World energy consumption has more than doubled in the last 20 years. It rose--converted to soft coal units--
from 14 billion tons in 1960
to about 29 billion tons in 1980.

The share of consumption for transportation processes rose during this period from 11 percent to more than 15 percent. So a disproportionate increase in energy consumption took place in the traffic sector, which can be attributed mainly to the increasing division of labor in the economy and the progressive expansion of individual traffic.

2. Within this development the proportions of individual primary energy sources changed radically.

If we make total consumption the equivalent of 100 percent, the share of solid combustibles in 1960 was about 46 percent. In 1980 it declined to 28 percent. The share of petroleum was 35 percent in 1960 and in 1980 it rose to 45 percent. The

consumption of natural gas also increased from 13 to 17 percent. Remaining energy sources, such as nuclear energy, hydroelectric and others, have followed a clear upward development with a rise from 6 percent to 10 percent. The use of energy sources in transportation changed by analogy to this. Coal--still the most important energy source in the 1950's--no longer played a major role as a terminal energy source in transportation in 1980. In its place, petroleum derivatives have become the dominant form of energy. This development was favored both by an adequate supply of petroleum and also by the indisputable advantages of fuel-powered systems in energy and for the economy. In the majority of industrialized countries, the decline in their self-sufficiency in transportation energy had to be consciously accepted--along with many other consequences, if we think only of the development of over-the-road traffic and, linked with it, that of the transportation infrastructure.

3. For some time it has been more and more widely accepted that the trend of absolute growth in energy consumption and of the quantitative expansion of the infrastructure cannot continue in this way.

A future-oriented transportation policy must face the growing challenges of the changed energy situation with decisive consistency.

Consequently, there are intensive efforts everywhere and also some initial successes, particularly in limiting petroleum dependence and in completing the necessary change in structure in the transportation system to achieve this.

The ways and means to this end are highly diverse. They result principally from particular national, social and economic relationships and the situations of interests linked with them.

Transportation in the GDR has a very good starting position for the changes needed to achieve better control of the interrelationships between transportation and energy.

Thanks to long-term orientation and intelligent conducting of the development processes by the SED and our government, we have available today efficient transportation, which already largely meets the needs of our citizens for greater mobility and of our economy for a safe and rapid exchange of goods.

Part of this is the tightly-knit network of roads, which guarantees good access to the entire country and offers an adequate number of transit points for international traffic, as well as the large number of available methods of transportation.

In the area of energy-economic work, significant results have already been obtained in the last decade.

With a growth in the economy's production of industrial goods of 80 percent and an increase in tranportation loads in inland traffic--inclusive of factory traffic--of about 30 percent, absolute energy consumption declined by 16 percent.

This result can be attributed principally to the effect of two factors:

First, to the consistent use of the advantages that are inherent in the unified socialist transportation system.

For example, the efficiency of the railroad, as a transportation organization, was continuously developed at a high material cost. Its share of increasing inland traffic loads always amounted to 70 percent and more. This made it possible to keep within limits the indubitably easier growth in load of over-the-road traffic, which can be realized with an initially lower investment of funds.

Secondly, there were significant effects derived from the replacement of coal as terminal energy. The emphasis here was also the change in the method of traction of the Deutsche Reichsbahn.

This positive balance to the rational use of energy in the preceding decade must not give room to any doubts that the requirements of our economic development in the present and the future lie much higher.

In our planning as far as the year 1985, our objective is a rapid increase in efficiency in meeting passenger loads and the transportation of economic goods and, at the same time, to achieve an absolute reduction in energy consumption from 165 petajoules in 1980 (public transportation and works traffic) to about 130 petajoules, that is, by more than 20 percent.

Foremost is a marked reduction in the use of fluid energy sources, primarily in favor of domestic energy resources and/or available alternative energy sources.

This development is a firm part of the economic strategy of the SED for the 1980's.

Fulfilment of these lofty economic goals requires,

--speeding up intensification of transportation processes on a national economic scale considerably,

--achieving a significant reduction in the expenditure of the national economy for transportation and

--making energy consumption a factor that takes precedence in the conduct and planning of transportation processes.

The further expansion of the unified socialist transportation system will, in principle, take place along the lines of planned expansion of division of labor among the transportation agencies and their more efficient linking, combination and cooperation. Available reserves of capacity must be mobilized, and the specific advantages of each transportation agency must be fully realized.

This applies equally to passenger and freight traffic. Our plan to reduce the cost of energy for transportation concentrates on three principal approaches:

1. reducing the need for transportation
2. reducing specific energy consumption
3. using alternative energy sources.

The First Approach, Reducing the Need for Transportation

The emphasis of this work lies in freight transportation in the national economy.

Our efforts to reduce the need for transportation take as their basis the fact that the consumption of transportation services is a component of the production consumption of the manufacturing areas of the economy, and reducing this consumption is in line with intensively expanded reproduction.

Similarly, our efforts are based on the knowledge that, in the long term, only conservation can help, that the maximum possible conservation of transportation energy, particularly of petroleum derivatives, which is in the interest of our continued economic development, must inevitably lead along the path of reducing transportation services, since the necessary measures for substitution and reduction of specific consumption cannot be realized promptly and in the broad scope required. This knowledge is uncontested.

Experiences of the last 2 to 3 years emphatically confirm the correctness and appropriateness of the path followed. It was already stressed that transportation loads in inland traffic increased by about 30 percent in inland traffic in the past decade. In 1980 and 1981 we were able to reduce them in absolute terms by about 5 percent.

The share of freight transportation in the total social product remained almost constant in the period up to 1979 at 3 percent, in 1980 it was 2.8 percent and in 1981 2.6 percent.

Transportation intensity--as a ratio of transportation services to the total social product--improved on an annual average by 1 to 1.5 percent, and in 1980 it was reduced by 2 percent and in 1981 by a further 6.2 percent.

It can be seen from this presentation that with the measures introduced we have already achieved a turnaround in the development of transportation requirements, which we were able to continue in the first 6 months of 1982.

The most important elements in the further reduction of transportation services in all areas of the national economy are

1. the optimization of transport
2. the planning and balancing of figures for requisitions for transportation services
3. standardization of the work of transportation

It is a matter of reducing the transportation requirements of the economy to socially based dimensions by rational shaping of existing cooperative relationships and territorial concentration and carrying out planned development on this basis. The principal path to this end consists of continuing the optimization of transportation.

In 1979, we began optimization with these goals in mind. The relationships between transportation and delivery for bulk railroad freight constituted the initial areas of emphasis. The results for solid combustibles, fertilizers and petroleum products confirmed the high degree of efficiency of the work.

Building on this foundation, a central program was undertaken for the first time in 1981, which contained concrete tasks for the optimization of all branches and areas of our economy and the territories and enabled us to supervise their effective practical realization. Just with the tasks contained in it, transportation services could be reduce by about 400 million km/tons.

At the same time, the contents of the objectives for optimization were expanded to additional areas. Today, in addition to the relationships between transportation and delivery, it includes the optimization of production and transportation, the optimal use of vehicle capacity and optimization of loc[illegible]n.

One basic precondition for this was the creation of efficient collectives at all levels of state leadership, in scientific establishments and organs directing the economy, combines and factories, which control and further develop the methods of transportation optimization and the associated tools for implementation. The expense is paying off, and in 1982 the effects of transportation optimization will be much greater.

For 1983 we have resolved to bring to complete initial optimization for all vehicles in over-the-road operation that can benefit from it--including factory traffic--and for railroad rolling stock and to keep the optimization results obtained in full view by repeat optimization efforts, while taking changing conditions into consideration.

In the near future, the emphasis will necessarily shift to the optimization of production and transportation. Studies in the metalworking industry have shown, for example, that there are still great reserves available for the conservation of freight transportation services. It was established that

--the share of products from interfactory cooperation in the combines' goods production is 57 percent,

--large combines with more than 2,000 partners cooperate and more than 50,000 different sections in production cooperation receive some material over long distances,

--the number of production cooperation groups with matching increases in transportation costs and a simultaneous decline in the factories' own contribution to the final product has been rising sharply for years.

These examples prove that exerting influence on the combines and factories through central organs and by economic means must increase further.

The measures initiated in 1982 to introduce new freight transportation tariffs and for the planning and balancing of figures for the requisition of transportation services according to transportation indices were initial steps in this direction. They have proved to be correct in principle. The work with transportation indices must be completed in a critical evaluation of this year's results.

Additional steps are now necessary with regard to the economic evaluation and stimulation of a reduction in transportation requirements. They must support this development, which is in the interest of the national economy, better than before,

for example, determining the division of labor and cooperation in terms of transportation economy.

That also applies to determining criteria for evaluating and comparing the performance of factories and transportation offices. These tasks must be resolved in the short term through creative work involving scientists and practical cadres.

The Second Approach, Reducing Specific Energy Consumption

In transportation, specific energy consumption means the expenditure of energy related to the unit of work of transportation. Since we are reducing transportation work increasingly to the amount determined by the national economy, we are concentrating in terms of emphasis on the most rational use of energy resources in providing transportation.

On this basis, further improvements in the success of the division of labor are at the head of our efforts, in order to utilize even more decisively the significant energy advantages of the railroad and inland shipping.

Calculated under comparable conditions, rail and inland water transportation is about three times better in terms of energy than over-the-road traffic.

If we make specific diesel fuel consumption for the railroad equal to 1, inland shipping has a factor of 0.9, public motorized transportation is 3.0 and factory traffic is 3.4. That is the point of departure and the energy-economic justification for necessary changes in the transportation stfucture.

Today the share of the railroad and inland shipping in inland freight transportation is about 75 percent. We intend to increase it by about 10 percent by 1985.

One important measure is the expansion of access points to the rail and waterway network. We have already reopened some access points and expanded their possibilities for use. This will be a point of emphasis in the future in the rationalization of transportation.

As part of a more meaningful division of labor, in which the specific advantages of individual transportation resources are consciously utilized, combined transportation is moving into the focus of the further development of freight transportation. In many cases it is the sole alternative to freight transportation by road: Road vehicles undertake the collection and distribution of goods; the major transportation activity takes place on the railroad.

We are therefore exanding bulk container traffic by more than 30 percent by 1985. We will reduce long-distance road freight traffic significantly and will utilize the available rail network even better by means of condensed, long-range and rapid transportation.

The further expansion of totally mechanized chains of transportation from the manufacturer to the consumer tends in the same direction, primarily for heavy, continuous flows of homogenous goods in construction and industry. Our experiences indicate that one important condition for this is to match the freight better to the

forms of transportation. Here it is a matter of creating loading units that are more suitable for transportation, with the joint cooperation of the economy and transportation. Keeping these goals in mind, the objective is to combine these more efficient transportation technologies with the complex rationalization of freight handling.

Our transloading centers must be progressively expanded in the interests of minimizing expenses for the customer and transportation.

In this context we intend to develop logistic designs that will meet these requirements, using the opportunities available to us. Among them is the use of high-capacity information technology.

A further starting point toward energy conservation is the full utilization and exploitation of the means of transportation themselves.

Clear progress has already been made in previous years in the capacity-related and statistical utilization of our means of transportation.

For example, the loading of freight cars increased by almost 10 percent to 20.18 tons per double axle. In public transportation, 3,000 km/tons more were achieved per ton of usable weight in 1980 than 10 years previously.

However, the use of our transportation currently still does not meet the requirements of society.

With close cooperation between the transportation agencies and the customers, continuity in loading and unloading must be increased through the optimal design of manufacturing, warehousing and transportation procedures, layover times at the loading and unloading facilities and utilization in terms of space and time must continue to be improved.

In the matter of the circulation of freight cars, development has been stagnant for years. The principal cause is exceeding the loading and unloading deadlines on the part of the dispatching industry.

Transportation applies and uses the transportation equipment that the industry provides for us. For this reason we are working constructively with industry on improvements to propulsion systems. Our main target is the optimal use of energy, energy-conserving driving methods and energy-conscious service, attention and maintenance.

Centralized measures to achieve this affect primarily

--continued technical development of commercial vehicles and passenger cars and the retrofitting of vehicles already in operation

--improving energy efficiency, diesel engines, particularly marine diesels, and their further conversion to the use of heavy oil

--conversion of operating machinery from fuel to electrical power

--replacement of gasoline and diesel fuel through the use of industrial gases

--ensuring the necessary early flow of information, particularly in those areas that extend beyond engine improvements.

In our own sphere of responsibility, we have helped to define the way to raise the energy efficiency of propulsion systems with numerous and varied developments.

About 5,000 commercial vehicles today are equipped with automatic speed governors--a development of the Potsdam Motor Traffic Combine, which allows a saving of about 1 percent diesel fuel per vehicle. By 1984 the equipping of the entire vehicle park will have been completed.

Our buses are being fitted with temperature-senstive controls for their hot-air heating, using a microcomputer. The conversion will be completed in 1983. About 380 liters of diesel fuel will be saved per vehicle per year.

Fitting our trucks with air-intake devices effected fuel savings between 3 and 5 percent, according to conditions of use and vehicle model.

Electronically controlled in-vehicle microcomputers are enabling us to introduce energy-optimal driving methods. In 1984 the Berlin intra-urban railroad will be completely equipped, and developments of this kind will find their way into almost all vehicles, locomotives, ships and aircraft.

With the increased use of recuperators, regenerators, waste-heat boilers, small and large heat pumps in stationary processes, we will accomplish the replacement of direct electric heating and also find substitutes for electrical energy, liquid fuels and/or gases.

The Third Approach, The Use of Alternative Energy Resources

Today, the transportation process is linked in a complex way with the consumption of liquid combustibles and fuels, and we must realistically project that this dependence will continue to exist over the long term. About two-thirds of our total energy consumption is currently borne by these energy resources. So it is of great importance for the national economy to use substitution to introduce the maximum amount of domestic and/or available alternative energy sources. The objective is to reduce the share of petroleum derivatives in our total energy consumption to less than 50 percent in 1985.

The most important undertaking is electrification of the routes of the Deutsche Reichsbahn and the resulting opportunities for concentrating transportation work on the electrified network.

In the period of this 5-year plan, more than 800 kms of main railroad routes will be electrified. This will give us more than 30 percent of our main railroad network under the overhead wire, which then puts in the position of powering more than 30 percent of our total train carrying capacity electrically.

Parallel to this, we are expanding the use of electrically driven local traffic, as part of the opportunities for our national economy, to reduce progressively the load share of motorized buses in local public passenger transportation. Central to this are:

--the consistent use of available load reserves in the streetcar network and its expansion, primarily in residential and industrial centers and

--the preservation and/or expansion of trolleybus operation.

Freight transportation by streetcar must be promoted more vigorously than before. This opportunity to conserve liquid energy resources has been used in six cities this year. Territorial initiatives must now be directed at creating additional access points for transportation customers and preparing suitable vehicles that can no longer be used for passenger traffic for carrying freight. This is an important objective for the production of the means of rationalization by the traffic authorities in close cooperation with the economy.

We are devoting great attention to replacing fuels by the use of industrial gases available in the GDR.

The conversion of vehicles in taxi and driver's training operation, based on our own developments of liquid gas power plants in automobile construction, enables us to replace considerable quantities of gasoline.

The use of compressed natural gas in commercial vehicles and experiments using this type of gas as the means of propulsion in shunting locomotives and in tugboats in inland shipping can open up additional possibilities for conserving diesel fuel.

One extremely important job in substitution is the complete replacement of heating oil in heat-generating stations, mainly with lignite. We intend to have completed this step by the end of 1983.

Finally, great importance is attached to the use of access energy.

We will have extremely demanding problems to overcome in the future as well. They are solvable, if we can manage to bring transportation research and transportation practice closer together and to create more effective links to all areas involved in transportation.

9581
CSO: 2300/124

LAW ON 1983 STATE BUDGET PUBLISHED

Budapest MAGYAR KOZLONY in Hungarian No 77, 20 Dec 82 pp 1437-1439

[Law No II of 1982 on the 1983 Budget of the Hungarian People's Republic]

[Text] The estimates of the 1983 state budget--in accord with the annual national economic plan--serve to help the realization of our economic-policy objectives, to improve the balance of the state budget, and to consistently assert the requirements of economy.

The National Assembly, taking all this into consideration and pursuant to the provisions of Law No II of 1979 on State Finances, has enacted the following law:

Principal Amounts

Section 1. The National Assembly sets the 1983 budget of the Hungarian People's Republic at the following principal amounts:

523,500,000,000 (five hundred twenty-three billion five hundred million) forints of revenue;

533,700,000,000 (five hundred thirty-three billion seven hundred million) forints of expenditure; and

10,200,000,000 (ten billion two hundred million) forints of deficit.

Breakdown of Revenue

Section 2. Taxes and other payments from enterprises and other economic organizations--without the payments pursuant to Section 2--amount to 378.95 billion forints, 72.4 percent of total revenue.

Section 3. Social-security and pension contributions by enterprises, other economic organizations, budgetary organizations and the population total 84.414 billion forints, 16.1 percent of total revenue.

Section 4. Taxes and fees paid by the population total 12.25 billion forints, 2.3 percent of total revenue.

Section 5. Revenues of budgetary organs total 35.862 billion forints, 6.9 percent of total revenue.

Section 6. Sundry revenues from international financial relations and other sources total 12.024 billion forints, 2.3 percent of total revenue.

Breakdown of Expenditure

Section 7. Expenditures for investment, for aiding the investment activity of agricultural cooperatives, for augmenting the development funds of local councils, for aiding privately financed housing construction, for providing circulating capital in conjunction with state investment projects, and for augmenting the development funds of enterprises and large-scale farms may amount to 55.607 billion forints or 10.5 percent of total expenditure.

Section 8. Expenditures for tax rebates and other aid to support the production and commodity circulation of enterprises and other economic organizations may amount to 159.1 billion forints or 29.8 percent of total expenditure.

Section 9. 1. Expenditures for the tasks of budgetary organs may amount to 165.607 billion forints or 31.0 percent of total expenditure.

2. Within the amount specified in Paragraph 1:

Expenditures for the tasks of the health-care and welfare organs, including the maintenance of general and special hospitals, clinics and other medical institutions providing in- or out-patient care, the maintenance of territorial day nurseries, the performance of public-health and epidemiology tasks, the operation of old-age homes, contributions to vacation programs, cash assistance, and other health-care and welfare objectives, may amount to 30.461 billion forints or 5.7 percent of total expenditure;

Expenditures for education, culture and scientific research, and for the tasks of the sports organs, including the maintenance of territorial and workplace kindergartens, elementary, secondary and higher educational institutions, cultural, artistic, child-welfare and student-welfare institutions, and sports tasks, may amount to 50.078 billion forints or 9.4 percent of total expenditure;

Expenditures for defense and the other tasks of the armed forces may amount to 32.044 billion forints or 6 percent of total expenditure;

Expenditures for the tasks of the economic, public administration, judicial and public security organs, including the maintenance of highways and bridges, the performance of municipal and community, agricultural, management of water resources, and environmental protection tasks; furthermore, for cetain other economic tasks, for replacing the fixed assets of budgetary organs, for the maintenance of law and order, and for public administration, may amount to 53.024 billion forints or 9.9 percent of total expenditure.

Section 10. Expenditures for social-security objectives, including family allowances, sick pay, child-care and other cash allowances, medical services, pensions and other provisions--including the reserve for social-policy measures--may amount to 106.863 billion forints or 20 percent of total expenditure.

Section 11. Expenditures for meeting international financial obligations, for the servicing of domestic borrowing in years past, for the performance of other budgetary tasks, and for a financial reserve against needs that will arise during the year but cannot be planned in advance, may amount to 46.523 billion forints or 8.7 percent of total expenditure.

Estimates of the Central Budgetary Organs

Section 12. Within the principal amounts specified in Section 1, the National Assembly sets the existing relations between the state budget and the central budgetary organs that have separate headings,at 1.964 billion of revenue transfers to the state budget, and at 92.528 billion forints of aid from the state budget, in accordance with Supplement 1.

Councils' Operating Budget and Development Fund

Section 13. From the state subsidy to the councils' operating budget, pursuant to Law No IV of 1980, Section 16, Item c, 35.413 billion forints is due; and from the state subsidy to the councils' development fund, pursuant to Section 17, Item c, of the aforementione law, 15.417 billion forints is due from the state budget.

Section 14. The subsidies to the operating budget and development fund of the councils are detailed in Supplement 2, in a breakdown by the capital city of Budapest, megye councils, and councils of cities with megye status.

Section 15. The amount of the sbusidies for the Budapest Municipal Council, the megye councils, and the councils of cities with megye status must be increased or reduced if a deficit of more than 3 percent, or a surplus of more than 4 percent, arises in comparison with the annual estimate of revenue from shared sources of revenue.

Sundry and Final Provisions

Section 16. The procedures outlined in Law No II of 1979 on State Finances, Section 17, Paragraph 2, Item a, must be followed to amend the estimates in Sections 2, 3, 8 and 10.

Section 17. 1. The Council of Ministers is authorized to withhold from the councils' budgetary organs the state subsidy for operating costs that becomes unnecessary due to the delayed completion or cancellation of targeted investment projects.

2. The National Assembly authorizes the Council of Ministers to modify in 1983--partially in conjunction with the statutory regulations on the management of housing, and partially in accordance with how the collection of revenue from profit tax and from the community development tax, to which the councils are entitled, will proceed--the subsidies approved to augment the operating budgets and development funds of the Budapest Municipal Council, the megye councils, and of cities with megye status. However, such modification of the subsidies cannot affect the estimated expenditures from the operating budgets and development funds.

Section 18. 1. To offset the deficit pursuant to Section 1, the National Assembly authorizes the Council of Ministers to issue state bonds for a total of 7.0 billion forints, or to obtain loans.

2. The provisions of Law Decree No 28 of 1982 apply to setting the conditions for the issuance of state bonds.

Section 19. This law becomes effective the day of its promulgation. The Council of Ministers will see to its implementation through the minister of finance.

1014
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MINISTER QUOTED ON INDUSTRY'S PROBLEMS, PLANS

Budapest FIGYELO in Hungarian 13 Jan 83 pp 1, 3

/Article by I. W. based on speech by Lajos Mehes, minister of industry, at the conference of heads of industrial enterprises: "To Remain In Competition ByImproving Performance"/

/Text/ At the national conference of heads of industrial enterprises on 5 January, minister of industry Lajos Mehes, member of the MSZMP /Hungarian Socialist Workers Party/ Politburo provided information in his speech about industry's tasks for 1983.

In the introductory part of the speech the minister emphasized that the key tasks identified in earlier years: accelerating renewal, increasing the enterprising spirit, smart management of the limited resources, the first place emphasis of equilibrium requirements, increasing export, higher requirement of frugality with imports, rationalization of material and energy management, and serving the interests of the working man on all areas of economic and social life continue to remain timely, and therefore consistent continuation on the road we have started on is most important.

Speaking of industry's accomplishments in 1982, the minister said that coal mining produced 26 million tons of coal in 1982, which the plan had projected only for 1985. Of this amount, 1.2 million tons were mined on days off, thus every miner on the average sacrificed 18 days off to satisfy the nation's needs in spite of geological and other technological obstacles. This, by the way, was also helped by a 110 million forint wage premiums provided by the government.

The machine industry's export was $950 million, exceeding the 1981 value by more than $100 million. The machine industry's results were helped primarily by the growing exports of railroad cars (Ganz-MAVAG /Hungarian State Iron, Steel and Machine Factories/), of the general machine industry (Aprilis 4 Machine Factory, Hungarian Ship and Hoist Factory), cables and wires (Hungarian Cable Works), telephone centers (Beloiannisz Communication Technology Factory), light sources and vacuum technology machinery (United Incandescent). and medical instruments and systems (Medicor). Ikarus produced 13,300 buses, 1,070 more than in 1981, and the excess was for the most part sold on foreign markets.

Light industrial production volume decreased in 1982, primarily because convertible export fell short of the 1981 level as well as of the plan. A few specialty branches and enterprises were still achieving significant increases. The Quality Shoe Factory, the Szigetvar Shoe Factory, the Papa Textile Factory, the Flax Spinning and Weaving Industrial Enterprise, the Vac Knit Goods Factory, and the Sopron Clothing Factory turned in outstanding performances. The light industry's production accepted a significant role in replacing lost imports and made useful contributions to expanding the product selection, and to improving the population's general wellbeing.

Industry achieved these results under conditions of more restricted development opportunities, and industry's investment opportunities--even at current prices--are less than they were in 1977. It is therefore very important to spend the 54-56 billion forints that can be spent in 1983 for economical and efficient investments.

Relationship Between Larger and Smaller Organizations

The presentation covered three social policy interrelations:

--relationships between the major socialist enterprises and the small and private enterprises;

--handling the low efficiency enterprises with a lack of funds and operating at a loss;

--the approach to a-pointment, evaluation, and replacement of managers.

The role of major enterprises is definitive for our economy, but in practical life also we must grow closer to the standards of opportunities offered by the major enterprise in the areas of organization, and technological, business, etc. advantages, and they must gather around themselves all those available smaller organizations which may usefully augment and serve the major enterprise's production.

This method will mobilize new resources, provide room for the new initiatives, result in additional production, and ensure larger earnings. In many cases it will ease the shortages in the support and service industries. At quite a few enterprises it will also result in increased productivity in the main activity. It will serve to better satisfy the population's demands in some work cooperatives but unfortunately in only a few.

For example, the business work cooperative of the Szekesfehervar Furniture Enterprise assembles the furniture in the home, or if necessary, makes repairs. The Weapons and Gas Appliance Factory organized work cooperatives to accelerate the changeover from municipal gas to natural gas. In the Danubian Iron Works a work cooperative has agreed to sort out scrap, clean castings, make samples, provide maintenance and cleaning services, and many other activities for which they were unable to obtain labor before, or hired expensive foreign guest labor. In the Lorinc /Pestszentlorinc/ factory of the Cotton Yarn Industrial Enterprise the economic work cooperative repairs

the machinery. The economic work cooperative formed in the Bekescsaba factory of Cotton Textile Works does electrical work. The Dunaujvaros spinning works of the Hungarian Broadcloth Factory is also rented out to the enterprise's economic work cooperative on weekends. And the list could run on and on for a long time.

At the same time, the spreading of enterprise economic work cooperatives has brought to light the faults of the incentive systems in the enterprises, and within this, of the wage regulation systems. Wages paid by the enterprises give less recognition for higher performance, and unfortunately even today they are rather tailored for the average abilities, industriousness, and performance. On the other hand, in the economic work cooperative the incomes depend on performance. But in some places the economic work cooperative provides unjustifiably high earnings, which are out of proportion with the increased performance. It also occurs at times that excessive overtimes are worked and this may be harmful to health. Thus we cannot consider the new enterprising forms to be resolved, organized, and free of problems, either, in all respects. Yet it would not be correct to prevent its spreading because in my opinion its advantages are greater than its disadvantages, many times over.

In the past unfortunately small enterprises came into existence in industry's area almost exclusively through the modernization of the system of support institutions, of by decentralization based on central decisions. This year the reorganization of CELKA /Electrical Maintenance Enterprise of the Machine Industry/ /appliance repairs. Translator./ was an outstanding event. About 100 small cooperatives have been formed so far, with total membership of 5,000 persons. It is interesting that about half of these were suggested by the citizens. Even collectively the small enterprises must not be overestimated, they employ barely 1 percent of all industrial workers.

In the small trades it is a new characteristic of the legal regulations that without individual evaluation the councils issue the license to practice to anyone who possesses the conditions listed in the statute. The number of tradesmen increased by over 5,000 in 1982 and exceeded 115,000 persons by year's end. In 1983 we expect that particularly the number of those will increase significantly who practice a trade in addition to being employed.

New Elements In Managing Enterprises

There are still a large number of enterprises in Hungary operating at a loss and with particularly low efficiency. The classical Marxist literature provides no answer to how this problem can be solved in socialism.

Uneconomical activities can be eliminated primarily by a series of measures taken by the enterprise. It is possible that some part of the production will have to be eliminated, it is possible that organizational changes are needed, and it is also possible that personal consequences involving the managers will follow. It can only be decided during the process of reorganization what is specifically expeditious. We have about 40 to 60 enterprises--employing 10-15 percent of the employees--with low efficiencies, lack of funds,

and perhaps operating at a loss. The decision is not easy for us either, concerning the fate of these enterprises. But solution is urgent. since our people can not carry the losses of these activities on their backs.

Speaking of managerial and personnel work, the minister supplied information about management personnel under the ministry's authority and said that in 2 years there have been changes at about 20 percent (in 206 cases). Release from duty occurred in about 10 percent of the cases (for unsuitability in 16 cases, and for disciplinary reasons in 4 cases). The other changes took place due to retirement, death, promotion, reorganization, etc.

Seventy percent of the new appointees worked at the same given enterprise before the appointment also, another 20 percent in other enterprises of the same industrial branch, and only 10 percent were brought back into industry into leadership positions from outside the industrial branch, from areas of social and political life. Two-thirds of the appointees are under 50 years of age, and one-sixth of them have not even reached 40. We consider renovation important also for the future. Considering their training, 90 percent of the new appointees are engineers or economists, or engineer-economists. The principles and requirements for selecting leaders are becoming increasingly trict under today's complicated economic and political conditions. Managers are needed who can manage well the enterprises under their leadership, who take the initiative, and who accept the necessary risks and also the responsibilities accompanying it. Our managers must also be suitable to earn confidence among the workers with their attractive human characteristics, and be able to mobilize and urge the collective to reach increasing achievements.

A decision has been made to decentralize the authority to make appointments. Other new elements will also be appearing in the enterprise management system beginning with 1983. For example, the work of control commissions will expand and be more specific. The enterprise management councils will also have greater authority. Wherever management councils with decisionmaking powers are operating, they will make the decisions in strategic questions of economic operation. Thus, those who participate in implementation will have a greater role in making the decisions, and they will have stronger incentives and responsibility in implementation.

Tasks of Increasing Exports

Industry's most important tasks for 1983 include: increasing exports in the convertible currency relationships, increasing consumption of domestic products by the population, decreasing imports convertible import content of industrial production, and fulfilling our contractual obligations to CEMA.

According to the plan, convertible export should have increased in 1982 compared to 1981. Instead of this, it has probably decreased by 1-2 percent--by about $25 to $50 million. The large price decreases for metallurgical and aluminum industry products, raw materials for plastics and certain light industrial products played a large role in the shortfall. We were planning to raise export prices, but they decreased instead in 1982. This represented sales losses of about $270 million for industry, excluding the food industry.

Currency devaluations in many of our market portions areas also decreased the export income of enterprises. In the FRG and in Sweden, where we export large volumes of light industrial products, the currencies were devalued by 20-25 percent with respect to the dollar.

Another reason for the decreased exports is that our enterprises were unable to counterbalance the deterioration of the market situation quickly and satisfactorily by producing more profitable and better products. Thus in some places they were forced out of the market, while in others they were unable to break into it, to win new markets.

During the year we initiated a so-called "balance action" in order to increase export, in which the enterprises pledged to export more than their original plans, and we also coupled this with modest financial interests for them. The action was successful with only a few enterprises, and even with the total we did not reach the export projections, but imports decreased significantly which in the final analysis made the "balance action" successful.

Having learned from this, in this year's modification of the regulators we tried to encourage more exports. Thus the automatic wage premium per unit of additional export was doubled, and was also extended to cover the maintenance of larger export volume. The volume and efficiency requirements are also getting closer to each other. Our hope is that these changes will help fulfill the 1983 annual plan: a 5 percent increase in the export of convertible industrial products.

The enterprises will finalize their 1983 annual plans in the next few days. Within its framework they will once more think over the opportunities of market organization and market expansion, and the possible obstacles which come up in production and in sales.

The cooperative industries must also be mentioned because its role is significant--about 8 percent--of industrial exports. We expect the cooperative industry to increase its production and also its convertible exports at a faster rate than the state industry. We see opportunities for this because along side the cooperatives which handle significant exports, smaller units have also expanded which at the present time produce to satisfy local needs. But they can also produce goods in short production runs which can be sold as exclusive products in convertible relationships. We are convinced that with the help of the foreign trade enterprises markets can be located where these products can be sold.

The convertible import content of industrial production was already significantly decreased in 1982 by about 10-12 percent as compared to the previous year. The export consumption of all branches has decreased but especially in the metallurgical and chemical industries.

Last year was also a difficult test for the understanding and good relation between the enterprises and the government. Even if import management was the cause of problems for certain enterprises, it must still be said that this significantly contributed to our ability to make our payments.

The 1983 annual plan projects a 1 to 2 percent increase in industrial production, but without an increase in convertible import. Thus, production's import content should further decrease. Additional economical production must be organized to replace imports, primarily in the production of components, semifinished products, and consumer goods.

Some results were already attained last year in implementing the material management program. In 1983 industry must decrease the material ratio by an additional 0.5 to 1 percent.

Implementation of the government's energy management program is proceeding well, and energy consumption did not increase in 1982. The material branches consumed 1 percent less energy, but the population used 3.5 percent more. We saved 370,000 tons of petroleum products compared to last year. We expect that our national economy's energy consumption in 1983 may increase by about 1 percent compared to last year.

The Import Content of Production

The speech paid attention to increasing international competitiveness and to using methods to help in this. There have been favorable changes in recent years in this area. Today most enterprises--though, unfortunately, not all of them--know that their work is not evaluated by the progress they have made previously. The world market rates our performance more strictly than this. With this recognition they have begun to develop and analyze the international comparisons, and based on these, to take steps to improve competitiveness. For example, the Weapons and Gas Appliances Factory increased the reliability of products, decreased the noise level of appliances, and made it easier to replace parts on the basis of comparisons. As a result the technical value of gas convectors increased significantly, productivity increased, and costs decreased. The Csepel Iron and Metal Works discovered that among its products the steel pipes are 5 to 10 percent, transformers 30 percent, and the vulcanizing machines 40-50 percent heavier than the products of capitalist enterprises. They worked out measures to eliminate product waste. A refrigerator is assembled in 2 and 1/2 hours at the Bosch firm /FRG/, but 4 and 1/2 hours are needed for the Hungarian refrigerator to be built on the basis of their license. In the Sabaria Shoe Factory one person produces 1,600 pairs of shoes in a year, in contrast with the 2,200 pair average produced by the Western European countries.

Measures to Improve Competitiveness

One of the conditions for remaining in competition is to conform rapidly and flexibly to the market's demands. Joining in the international division of labor promotes this all over the world, because beyond the optimum size of production runs this may also mean joint research, joint technological developments, joint marketing work, or in a word joint advantages for efficient economic operation. But some of our enterprises are not making full use of these advantages. In our industrial production the ratio of products produced in capitalist cooperation is only 5 percent, and barely over 1 percent is produced in socialist cooperation. We have only a few joint enterprises with capitalist partners, and hardly any with socialist ones.

It can be taken for certain that in the great race seen in industrial growth the future belongs to those countries, industrial branches, and enterprises which place maximum value and make the best use of the human creative abilities, by way of technological growth react quickly to society's needs, and concentrate their resources in progressive areas. More decisive progress is needed than we have had so far, in the areas of research, accepting, adapting, and spreading the already existing foreign and domestic intellectual products (licenses, innovations). A slowdown can be seen in the last year or two.

More efficient use of manpower is one of the conditions for improving competitiveness. Calculations and international comparisons prove that in most factories the main activity could be performed with 20-30 percent fewer people. Greater manpower mobility, also more flexible employment form, and in some places more rational arrangement of working hourse would be needed. We propose that the enterprises take all these into consideration at the next modification of the collective contracts.

Even though the financial measures will also have a dampening effect in 1983, the plan's data projects a profit increase of about 12 percent. Realization of this can be ensured primarily by the dynamically increasing results of the machine industry where over 40 percent of industry's profits are generated. The profits of mining, electrical energy industry, chemical industry, light industry, and other industries will also increase--according to the plan--compared to last year. Decline is expected in metallurgy. Increased profitability is possible with great efforts, but at the same time it is a basic interest of the enterprises because through it more will also be available for the individual earnings.

8584
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HUNGARY'S HARD CURRENCY DEBTS DISCUSSED

Budapest MAGYARORSZAG in Hungarian 30 Jan 83 pp 24, 25

[Article by Dr Ivan Wiesel: "Delicate Equilibrium"]

[Text] The managers of Hungarian economic policy have been calling attention, before the most diverse forums, to the primary importance of restoring external economic equilibrium.

External economic equilibrium is a very complex concept. It includes the balance of trade; in other words, how export and import developed over a certain period (for example, a year). If the value of export exceeds that of import, we say that there is a trade surplus. But if the value of import exceeds that of export, then we have a trade deficit. International economic relations are broader than trade relations. They include, in addition to commodity trade, a wide circle of transactions (tourist expenditures, various incomes and expenditures associated with diplomatic relations, various royalties, remittances of persons living abroad, and other transfers).

Why Are We in Debt?

Finally, the most important part of external economic equilibrium is the balance of payments, or the general balance of international receipts and payments. This balance reflects the changes in the foreign-exchange situation. If receipts exceed payments, we say that the balance of payments is improving; if the opposite process takes place, we speak of a worsening balance of payments. The mentioned balances are dynamic ones, reflecting the process during a given year. An important yardstick for measuring external economic equilibrium is the balance of international credits, which tells us how much is our foreign indebtedness at the beginning or end of a year, or how much foreign countries owe us.

This brief digression was necessary because in practice fairly many people equate the net balance of trade with the external economic situation. Actually we are able to form a picture of the external economic situation on the basis of the sum of all the elements listed above.

(In this article we will be discussing external economic equilibrium only in terms of the external economic relations denominated in hard currency, because the equilibrium conditions arising in commodity trade within CEMA are of a different nature, and also the mechanism for the settlement of deficits and surpluses differ.)

Usually the following questions arise among the public: What was the cause of our country's indebtedness? Why did the problems culminate in late 1981 and early 1982? What is Hungary's international credit rating? What measures has the government adopted to solve the problems of external economic equilibrium? And finally, what kind of equilibrium does the country need?

Our net foreign indebtedness at the end of 1981 was equal to about 120 percent of our annual hard currency export. Is this much foreign debt excessive or not? If we relate this to the per capita national income (which was 2054 dollars according to the data for 1981) and take international comparisons into consideration, then on this basis Hungary is in midfield among debtor nations.

What caused the rapid rise of our foreign indebtedness? Any mention of the two oil price shocks has by now become almost commonplace. However, we must revert to them, because otherwise we would be unable to answer this question.

The first oil price shock (in 1974) basically transformed the structure of international prices. The prices of sources of energy and raw materials rose severalfold, but the prices of finished products hardly changed. Thus between the international price level of finished products and that of raw materials there developed a price gap that caused substantial losses to enterprises supplying materials, equipment and industrial consumer goods. In other words, their terms of trade worsened.

First Options

In view of Hungary's production structure, this development of the terms of trade resulted in severe losses. It is estimated that in 1974 to 1981 Hungary's loss from the difference between the price level of imports and the price level of exports totaled about 30 billion forints. Which means that the worsening terms of trade absorbed a substantial proportion of the increase in national income.

After the first oil price shock, in the industrially developed countries there began a rapid transformation of the production structure, energy consumption declined, especially the consumption of hydrocarbons, development of domestic sources of energy was started, and the mix of products produced was such that in their prices customers usually accepted the higher costs of basic materials. In this way the losses resulting from the worsening terms of trade were offset fairly quickly.

In the 1970's, on the international money markets there was a supply of cheap credit, and liquidity was high. The petrodollars (the amount of capital that the oil-rich countries were unable to spend) flooded the money markets, there was idle capital, and detente clearly existed in politics. This was typically a period of "cheap money." (If we compare the inflation rates and the interest rates, we find that borrowing did not have any real cost, and thus it proved desirable to be in debt.)

Under these conditions Hungarian economic policy had two options:

--To regard the phenomena in the world economy as cyclical, and to maintain the country's original objectives regarding economic growth and the policy on the standard of living. To bridge with international loans the disequilibrium

whose principal cause at that time was the worsening terms of trade. And to service the foreign debt through the expansion of production and improvement of efficiency.

--To regard the evolving conditions as structural, and to let the economy offset the losses resulting from the worsening terms of trade by slowing down the rate of economic growth and by cutting back domestic spending, while attempting to make the economy more competitive through structural changes and by improving productivity and effectiveness.

It is common knowledge that the managers of our economic policy chose the first option. There were numerous reasons for doing so. The forecasts of the various research institutes studying the business cycle, and the experience of economic growth after World War II indicated that the changes were cyclic ones. International loans proved cheaper than any domestic source of credit, and borrowing is an important element of technical and technological progress, hence also a prerequisite for international competitiveness. The costs of domestic consumption, including personal consumption, could be advanced, because they would soon be covered by the foreseeable rise in productivity. Finally, close cooperation within CEMA provided a shield against unfavorable international economic effects. The behavior of economic policy at that time was of an expansive nature.

Foreign borrowing at that time had a triple role: it offset the losses resulting from the worsening terms of trade; it covered the chronic gap between domestic production and spending; and it helped to service the foreign loans obtained earlier.

The main problem stemmed from the fact that while domestic consumption rose rapidly, the increase in national income did not materialize that was expected to result from the expansion of production, the rise of productivity, structural changes and higher effectiveness. However, the process that began in 1974 proved to have caused a permanent crisis of the capitalist world economy, a crisis that up to now has not been followed by any real recovery, and this fact upset all the basic assumptions. Because the anticipated economic result did not materialize, foreign borrowing for the economy became a self-inducing process, and ever more foreign loans had to be obtained each year. Moreover, the accelerating rate of international inflation and the growing balance-of-trade deficit likewise demanded more and more foreign borrowing.

Second Oil Price Shock

The second oil price shock at the end of the decade intensified the outlined processes and suddenly made economic management painfully aware that a new path of economic development was necessary. This led to the December 1978 resolution of the MSZMP Central Committee that set as its objective the restoration of external economic equilibrium and maintenance of the standard of living. It also called for energy conservation, rationalization of the use of raw materials and utmost comprehensive economization, emphasizing on a new basis the improvement of economic efficiency and international competitiveness.

In the wake of the mentioned party resolution, significant results were achieved in the improvement of external economic equilibrium: the balance of trade first

attained equilibrium and then showed a net surplus; the growth of foreign indebtedness slowed down and then stopped. These results stemmed partially from cutbacks in domestic spending, and partially from improvements of effectiveness, productivity and competitiveness. However, the process of structural change remained slow, and willingness to innovate was lower in industry than what would have been desirable. The positive role of economic cooperation with CEMA countries was pronounced also in this difficult period. In imports of raw materials from socialist countries the burdens that shocked the national economy in the capitalist markets were delayed. (The CEMA countries' contractual prices follow the world market prices on the basis of their five-year moving average.) But it is likewise true that the additional possibilities inherent in CEMA cooperation were somewhat overestimated, and the fact was not taken adequately into consideration that the other CEMA countries also were encountering problems similar to ours.

Why did the problems of external economic equilibrium culminate specifically in late 1981 and early 1982? We must state in advance that the causes of the intensification of the problems must be sought in the rapid deterioration of the international economic conditions. In international politics, detente was replaced by the threat of the cold war's revival. This danger became pronounced particularly after the events in Poland. Interest rates rose sharply on international money markets, sparked by the drastic increase of the official interest rate in the United States. (Between June and September 1981, the prime rate of interest--the interest rate that commercial banks charge their best customers--reached 20.5 percent!) The liquidity created by petrodollars become much lower as a results of the petroleum-producing countries' declining revenues, and capital flowed primarily to the United States. In international trade relations, access to markets became more and more limited, primarily as a result of various protectionist measures.

Interest Spiral

The recession, interwoven with the financial crisis, undermined the solvency of more than 30 countries in the world, and the debtor nations were obliged to ask their creditors to reschedule their loans. Among the socialist countries, Poland and Cuba resorted to rescheduling. Romania and Yugoslavia also have very serious international payment problems. Banks in the developed capitalist countries declared bankruptcy one after another, and the Federal Republic of Germany and Japan also are having financial problems.

These changes had a very serious impact on the Hungarian economy. Whereas the average rate of interest on loans obtained previously did not exceed 5 percent a year, in the wake of the described process it is now higher than 10 percent.

This crisis of confidence did not bypass even the Hungarian National Bank. Foreign depositors withdrew some of their deposits with the bank, and its reserves declined. It became increasingly more difficult to obtain foreign loans, due to the worsening international liquidity and the intensification of political tensions.

Access to markets likewise became more difficult. Hungarian goods encountered strong protectionist barriers, and it became necessary to compete under these conditions. It is very detrimental to us that certain industries within the

world economy are depressed (the textile industry, ferrous metallurgy and the steel industry, chemicals, etc.), because Hungary is a significant exporter of also such products. Nor are the international price trends of farm and food-industry products favorable from our point of view.

Under the more difficult set of external conditions, the question of Hungary's credit rating on international money markets becomes even more important.

In the 1970's, Hungary belonged among the debtor nations with the best credit rating. This favorable rating can be explained by several reasons: the Hungarian People's Republic has always met its international payment obligations; the results of economic development were promising; the direction of Hungarian economic policy was decisive; and domestic political conditions were stable. Nor should the importance of the Hungarian National Bank's prestige in international banking circles be underestimated. Despite the liquidity problems in 1981 and early 1982, Hungary has always serviced its foreign debt on schedule. This is further proof of the state's determination to face up to this new "challenge" and overcome the difficulties.

In the second half of 1982, declining interest rates and a modest increase of international liquidity also could be encountered on international money markets. This is expected to alleviate the domestic burden of servicing international debt.

It will be of interest to review what economic management has done since the December 1978 resolution of the MSZMP Central Committee to implement this resolution. While slowing down considerably the rate of economic growth, the government cut back domestic spending, especially investment, and tightened income regulation. Parallel with the compulsion to export, certain direct and indirect incentives have been offered to expand export. Management of inventories has become stricter, interest rates have been increased repeatedly, and it is more difficult to meet the conditions for obtaining credit. Significant changes have been made also in the price system. As of January 1980, the international price has become the basis for pricing a significant proportion of the products, which essentially means competitive prices. A uniform system of exchange rates and their dynamic quotation have been introduced.

Operational Measures

Various energy-conservation and material-economization programs were introduced and have led to substantial savings. These programs are still in progress.

The 6th Five-Year Plan was drafted with the new conditions in mind, and its targets center on the two most important economic tasks. The nature of the plan also has changed, and it is considerably more open than in the past, taking the needs of society more and more into consideration.

Significant changes have been made also in the system of the economy's management and organization: The tasks of the State Planning Commission have been defined, and the Economic Committee has been established as the body for coordinating and managing continuous economic tasks. Certain industrial ministries have been abolished, and the Ministry of Industry has been formed. The possibilities of establishing new businesses have been broadened considerably, and new forms of business organization have been introduced. Some factories

have been able to split off from large enterprises, and authorization to conduct foreign trade independently has been broadened.

At the end of 1981 and the beginning of 1982 there developed a situation which no longer could be bridged by means of the rates of regulation and methods of management that proved suitable earlier. The new situation compelled economic management to adopt more operational (continuous) measures.

At midyear, the economic regulators were modified in the course of their application. The adopted and implemented financial measures have modified income distribution significantly, have tightened the formation of enterprise incomes and have increased the withdrawal of income. The objective is to cut back domestic spending further and to create additional export allocations, respectively to curb import even more.

Modification of the regulators has been differentiated; it has not restricted but even stimulated production for export and investment. It does not apply to power generation and fuel production, or to the utilization of waste materials and to permanent solutions that save materials.

The rest of the measures consisted of the wider application of definite market-regulation methods. The more difficult conditions demand that economic management monitor the market processes more closely. This applies particularly to the management of import. It is a known fact, and the government has informed also the international organizations, that the nation's worsening liquidity has compelled the government to temporarily curb certain imports. The import quotas set for individual materials, and the import tax on certain parts have made it more difficult for the enterprises to procure materials through import, respectively such imports have been assigned national economic priorities. In some instances this has created difficulties for the enterprises' operations, but in many instances it has compelled them to adjust in a positive manner.

No Absolute Equilibrium

What economic tasks confront Hungary in 1983? To realize the objectives in conjunction with improving external economic equilibrium, Hungary's foreseeable trade surplus in 1982 will have to be doubled in the coming year, as Peter Veress, the minister of foreign trade, announced at a recent conference. The system of economic regulation applicable in 1983 has been geared to this task. It sets stricter requirements for the enterprises' performance than the 1982 system of regulation did.

Import restrictions will be retained. But since the national economic priorities are now known, the 1983 system of import management will be more predictable and better plannable for the enterprises than in 1982.

Let us revert to our starting point: What will happen to our foreign indebtedness? Will we have to repay all our foreign debts, and will this restore external economic equilibrium?

Economic equilibrium, which we are trying to restore, is not an absolute economic category. In other words it does not mean that a nation's economy is in equilibrium externally when it has neither borrowed nor lent internationally. Incidentally, the very nature of foreign trade rules out such a state, because

no one can guarantee that the timing and value of export and import will coincide exactly. There is no country in the world with a zero net balance of international credits.

It is likewise logical that a dynamically developing small country is always compelled to attract also foreign capital to promote its own economic growth.

(At his 25 January press conference, the president of the Hungarian National Bank said in part: "In addition to the stable domestic political situation, our country's international reputation, and economic management's fast response, an important factor from the viewpoint of maintaining our solvency has been also our accession to two international financial institutions of the United Nations, to the International Monetary Fund and to the International Bank for Reconstruction and Development (or World Bank). This was also a contributing factor in that the Bank of International Settlements headquartered in Basel, in cooperation with Western central banks, gave us 500 million dollars of credit to bridge our liquidity problems and, in the second half of the year, an international consortium of banks, formed by a United States bank, gave us a 260-million-dollar medium-term loan. After our accession, we started negotiations also with the International Monetary Fund to obtain credit.

"To support the objectives of our economic policy and the measures we have introduced to restore external economic equilibrium, this financial institution approved in early December 600 million dollars for us in two medium-term loans, one repayable in five years, the other in seven. We have drawn against a small part of this total in December 1982, and most of it will be available to us in 1983.

"In its present lending policies, the World Bank is giving priority to the development of energy resources and of agriculture, and to the expansion of competitive export. Incidentally, membership in the World Bank also gives us access to new markets, because only the companies and enterprises of member nations may participate in the competitive bidding on projects financed by the World Bank.")

Stable Indebtedness

Under the present circumstances Hungary is striving to restore its external economic equilibrium and has set as its objective the attainment of a stable amount of foreign debt. Which means that a substantial proportion of our foreign debt is covered by our foreign-currency and gold reserves, that the amount of our indebtedness will always develop as a function of our export, and that the burden of debt servicing makes it reasonable and economical to attract also foreign capital for accelerating our economic development.

1014
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SECOND ECONOMY USEFUL, SHOULD BE TAXED

Budapest FIGYELO in Hungarian 13 Jan 83 p 9

[Report by Sandor Kopatsy: "Incomes: Within and Without the Place of Work"]

[Text] Household plots and small private enterprise yield three to four times more money than regular wages. We must talk about this, and with honesty. We must reckon with a possible widening of this gap in the coming years. The real value of regular wages is stagnating at best, and a decrease of supplementary incomes is not to be expected, provided that the decrease of extra incomes will not come about as a result of administrative measures.

We must deal with two questions:

--are such supplementary incomes necessary;

--is it possible to eliminate the disparateness of remuneration of the same amount of work done on the job and outside the job?

The Majority of the Families

The answer to the first question is simple. Public opinion is rather unified today that household plots are necessary for the present adequate food supply. More than half of the nation's population, i.e., about 1.7 million families have the potential possibility to engage in farming activity in their free time. There are about one million families which draw substantial incomes from household plots and supplementary farming. Incomes from these mini farms exceed regular wages by far.

The 1.7 million families in question would, of course, have much lower living standards without the possibility for this activity. At the same time, the supply of produce would substantially decrease, and it would not be possible to offset this decrease by decreasing exports. Thus not only the food supply would suffer but the prices would go up as well.

Further, it is not difficult to imagine what would happen to the home builders without moonlighting on the weekends. This would also have a serious effect on the population, for the demand for homes would surge and the waiting time would increase.

The situation is, then, this: one part of the nation can have a better life than the other--true, by working much harder. It may become a legitimate question: what about those who have no possibility to make extra money? I think the only solution is to make it possible for as many people as possible to engage in moonlighting and earn extra income.

Benefits

I already hear the objection: he wants everyone to work himself to death! When should we study, relax, or have fun? Instead, the state should pay wages high enough for a decent living. One should not have to work in his free time. I will try to defend my view with the following arguments.

--Working during one's free time is not compulsory, it is only a possibility.

--Half the nation has been doing it anyway. We closed our eyes because it was not too apparent. When someone is working on our own home, it is natural that this work is done during free time.

--Most moralizing intellectuals who are the loudest protesters against too much work, are themselves working 10-14 hours a day. More than half of their incomes come from extra work although their wages are higher, to begin with, than the wages of those who should be given the possibility to moonlight.

My main argument is, however, that those who are able to earn extra income are happier than those who are unable. Such moonlighting gives millions of people not only a nice income but also a sense of accomplishment. It is enough to point out retired persons who are able to work: for them, work means not only the earning of sorely needed money but also a more meaningful life. They do not depend on others, and this gives them strength and a feeling of security.

Extra incomes--and the related activities themselves--show so many benefits that one cannot doubt their justification anymore. One may--and must--ask this question, however:

Why is it that work done outside the job yields so much higher incomes than work done within the job? The reasons may be grouped around two factors: On the one hand, people are often inefficient in their main jobs. On the other hand, on-the-job incomes are net incomes, outside-the-job incomes are gross incomes.

Regarding the first factor, we can establish this: in moonlighting, time is used efficiently, the work is well done, there is no internal labor shortage and expensive bureacracy. On the job, however, we must pay a high price for the lack of working discipline, for labor shortage and for excessive bureacracy.

The Solution: Tax

The key task is no doubt a better management of work on the job and an increase of its efficiency; without this we will be unable to solve any long-range problem of our country.

We must expand, however, on the statement that the worker's on-the-job income is a net income while income resulting from moonlighting is a gross income. What does this mean? Not only the state's expenses but also the social benefits as well as the accumulation funds are paid for by the national revenues produced by the workers. These make up a substantial part of national revenues. (It is another question that the workers enjoy the social benefits through various channels.) On the other hand, most incomes generated by moonlighting are tax-free, or a small part of them are taxed only nominally.

It becomes clear from the above that the principle of division according to performance and the wide system of extra incomes can be maintained simultaneously only if on-the-job incomes become gross incomes. If we relinquish this, then most of the present enterprise taxes must be replaced by new taxes which are paid not in the production sphere but in the division. A classical example for this is the sales tax which is, in essence, a tax paid at the expenditure of the income. This is paid equally by the citizen earning regular wages and the citizen earning extra income. A progressive personal income tax would not be as consistent but could be a solution.

I cannot delve here into the details of this tax reform which I think would be indispensable. I wanted only to show that this problem has been more or less buried. The tax reform is becoming a pressing matter, so much the more as the proliferation of small enterprises brings out the paradoxes even within a single enterprise. The hourly wages of work done outside the job are many times higher than the hourly wages paid for the same work on the job.

We will be perhaps grateful for this growing paradox when we will implement the reforms that we have long postponed.

9414
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CONCEPT OF SOCIALIST PROPERTY NEEDS REVISION

Budapest TARSADALMI SZEMLE in Hungarian No 1, 1983 pp 42-53

[Article by Tamas Sarkozy: "A Contribution to the Questions of the Theory of Ownership as Applicable to the Socialist Enterprise"]

[Excerpts] The present study is based on the conclusions of the conferences that the Hungarian Academy of Sciences sponsored recently, with the participation of the economy's network of research establishments specializing in law. The conferences considered the question of property in a legal as well as a multidisciplinary approach.

Numerous new organizational forms emerged in Hungary in the late 1970's and early 1980's, in the sphere of economic management and the enterprise sphere as well. In the following I will point out a few such phenomena, without any claim to completeness.

Has Practice Outpaced Theory?

In the sphere of economic management, the reorganization of the management of industry created a new type of "professional functional ministry." This ministry is concerned primarily with the formulation of economic policy, development, the influencing of international economic relations, and also with statutory regulation and with its official functions as a public agency. In its operation the basic activity of the former branch ministries, their operational control of enterprises (so-called enterprise supervision), has been relegated in principle to the background.

With the reorganization of the Hungarian Chamber of Commerce there has been created a federation representing the interests of state enterprises, indicating that federations of economic units are not peculiar to the cooperative sector alone. Even within the circle of state ownership, a federation to represent the enterprises' interests is not only possible but necessary. Of course, the federation represents the enterprises' interests in their relations not with the state as a whole, but with public administration.

I refer also to several new forms within the enterprise sphere. Enterprise systems have emerged. Attempts to develop modern internal organizational and operational mechanisms can be found in the system of relations between trusts and trust enterprises, and between large industrial enterprises and their factory units (for example, in the petroleum industry, meat-packing industry, etc.).

To a certain extent these enterprise systems have created independent enterprise property. There are several good examples of the development of the internal decision-making system within associations formed by voluntary integration between enterprises. There have developed forms of association that not only coordinate their member enterprises, but to a certain extent also undertake joint economic activity. For example, the agro-industrial associations or the research, development and production associations are of this type. When the establishment of subsidiaries was made possible, the prospects of developing modern enterprise systems further improved.

Banks today are not limited to rechanneling temporarily idle resources. They may also form partnerships, participate in other enterprises or form enterprises of their own. (Good examples of this can be found especially in the practice of the State Development Bank.) In the economic literature there has appeared a school that is urging the formation of financial institutions similar to holding companies. Such financial institutions would have an interest in the best possible utilization of their enterprise assets, of the capital held by the enterprises, and hence also in the regrouping of such capital. Within this circle, then, special financial institutions would exercise the owner's basic rights regarding these enterprises.

Various forms of business association and different types of joint enterprises have begun to spread lately also in industry, as they have done earlier in agriculture. Among the associations formed for the purpose of development, there has been created--albeit late--a form of business combination in which the enterprises are entitled to limit their liability by law (the so-called limited liability association). Development of the law on partnerships and corporations has placed on the agenda also the modern regulation of the forms of association that issue shares (for example, the corporation).

In the 1970's it became possible for Western corporations to form, jointly with Hungarian enterprises, so-called mixed enterprises in Hungary. Thereby also the international enterprise emerged in Hungary's enterprise structure. Joint enterprises embodying socialist international property have been formed also in Hungary within the framework of CEMA integration.

In the early 1980's, we institutionalized the independent organizational forms of the small company, including state-owned small companies and small cooperatives. The simplified regulations for the small cooperative have reacted also on the general regulation of cooperatives.

The turn of the decade has been the period in which small business in the private sector developed. These small businesses can be divided into two groups. The first group comprises the proprietorships and partnerships of artisans and retailers. (Among the partnerships we may include the civil-law partnership, and the business work partnership.) Elsewhere the small businesses are being built more or less into the internal mechanism of the socialist enterprise. Here we can mention the leasing of businesses (so-called business operation by contract), the specialized cooperative groups, the business work partnership supported by a state enterprise or specifically enterprise business work partnership.

Most of these new forms have evolved in practice. However, theory must process the forms produced by practice, and within this circle it must also be able to

answer the question as to how these new phenomena affect our concept of socialism in terms of socialist ownership relations. For in Marxist economic philosophy, ownership is a total category that embraces all relations of production.

In the past we have often overestimated the significance of the principles that we have formed regarding ownership or, more accurately, regarding the forms of ownership, and therefore we have often evaluated the enterprises' forms of motion one-sidedly, merely from the viewpoint of the principles of ownership. But in the meantime it has become fairly clear that in developing the forms and types of enterprises we must attribute far more importance to the following considerations than to departures from the forms of ownership that we have inherited: to the manner in which the enterprise is founded (whether officially by the government or by voluntary association, whether as a primary enterprise or as a secondary enterprise established by one or more other enterprises); to the size of the enterprise (for example, to the difference between a large enterprise and a small company); and to the function of the enterprise (for example, does the enterprise belong institutionally to the sphere of competition in the narrower sense, or is it an enterprise serving the public that to some extent has also nonprofit characteristics). It has likewise become obvious that to a significant extent considerations of expediency determine whether a given economic activity is performed in the form of a state enterprise, a cooperative or an association. In other words, the organizational forms in themselves cannot be rated. Hence no organizational form ranks higher than another.

The ideology of ownership cannot lag behind practice. On the one hand, if we do not provide theoretical answers to the questions raised by the new phenomena, there could be confusion and misunderstandings. On the other, obsolete ideological tabus could hamper the further development of practice. Answers to the questions regarding ownership are of special importance also from the viewpoint of our present political traditions. Therefore we must attempt to evaluate the new economic phenomena also from the aspect of the ideology of ownership, even if for the time being we are unable to provide completely valid theoretical answers to some of the questions, or if the elaborated theoretical answers are debatable.

Differentiation of Property as the Object of Ownership

Theoretical uncertainties regarding the content of ownership can in many instances cause confusion in practice.

In economics it is customary to define the essence of ownership as control and the right to dispose of. This general description must be refined to some extent, for it does not provide sufficient guidance in judging specific conditions. In particular, control and the right to dispose of may become separate to a certain extent, or they may be shared, etc. As production relations develop, economics tends to go increasingly beyond the traditional concept of ownership as applicable to things and the means of production. It begins to transpose the interpretation of ownership because, amidst the conditions of developed commodity production, it is more than control of the conditions of production.

Thus various fruits of intellectual effort are included in property as the object of ownership. In some industries (in the pharmaceutical industry, for example) control of the inventions, licenses and know-how is of fundamental importance. The ownership of enterprises--in everyday economic activity, and

especially when it comes to selling or liquidating an enterprise--becomes less and less mere control of the means of production. The goodwill of the enterprise, its long-range profitability prospects, the quality of its customers, the professional level of its management and work force is at least as important as the utility or market value of its means of production. Thus, within certain limits, disposition of a thing is replaced by disposition of value. In business operation by contract, for example, the winner in competitive bidding is no longer the entrepreneur who invests the most money, but the one who promises the most long-term profit to the leasing enterprise (and indirectly to entire socialist ownership as a whole). In the area of foreign trade we likewise attempted for a long time to avoid--sometimes unnaturally--direct capitalist participation in ownership, through credit, licensing or some other contractual scheme. But in practice it turned out that in many instances the substitute solutions were more costly and less profitable than if we had established joint enterprises.

The differentiation of ownership is evident not only in property as the object of ownership, but also within the circle of owners as the subjects. In a modern economy the various functions of ownership are necessarily divided among various economic subjects, and also institutions develop that are substitutes for ownership. For example, the permanent use and enjoyment of state-owned land by citizens or cooperatives; or even under business operation by contract, which is essentially a lease, the small entrepreneur also exercises significant rights of the owner. In complicated organizational systems the development of such substitute institutions for ownership is unavoidable. But it is questionable whether or not this trend has been excessive within the development in Hungary in recent years. For example, it may be assumed that the proportion of leased land farmed by most agricultural cooperatives is unjustifiably high, and in future we should be urging the expansion of the acreage under the cooperatives' socialist ownership.

A pronounced differentiation of the functions of ownership is noticeable especially in organizational systems. It is easy to see that a distinction must be made between ownership of an article (for example, someone's ownership of his watch) and ownership of an enterprise as an organization. The development of the concept of ownership in organizational sociology is based on this relationship.

Owner's Strategic Decisions. An Independent Owner Organization?

In so-called owner control within organizational systems, sociology distinguishes between the owner's functions regarding fundamental, strategic decisions, and his functions of a tactical nature that are less significant and pertain to the continuous operation of the economic organization.

The owner's strategic functions consist of three parts:

--Decisions on the economic organization's business policies, respectively, on the basic directions of the use of income. This could be called the capital-circulation function.

--Decisions on basic organizational measures concerning the enterprise (founding of an enterprise, its merger, liquidation, etc.). This could be called the organizing function.

--Decisions on fundamental personnel measures pertaining to enterprise managers. These could be called management-related functions.

Separation of the strategic from the tactical functions is essential at larger enterprises because the fusion of these functions hampers the effectiveness of economic activity. Exercise of the owner's tactical functions--these include the commodity owner's rights over the individual means of production--can be entrusted to enterprise management, with the collective's participation or control. But as a rule the owner's strategic decisions cannot be delegated to the enterprise (meaning its management), for the management is necessarily biased in favor of its organization and its development. Thus the transfer of also the owner's strategic rights to the enterprises is not an effective way of increasing enterprise independence. Enterprise independence should be broadened in the area of the owner's tactical rights, in management and continuous operation.

On the other hand, the organization that makes the owner's strategic decisions does not need to own the means of production (ownership of the means of production can even make its activity cumbersome). This organization has ample power of ownership in exercising the organization's capital-circulation, organizing, management-selecting and supervising functions. (The development of Western companies and the transformation of the corporation's management structure are a good example. By relinquishing ownership of the specific means of production to the corporation or its management, the capitalist groups have increased their profits. In other words, the capitalists' property in the economic sense has grown specifically as a result of this legal self-restriction. At a certain stage of socioeconomic development, this technical solution can be employed also within the sphere of the socialist state's property.)

If in a substantial proportion of the economy we truly want the enterprises to operate as entrepreneurs, and if the economy's central management is to regulate basically market relations between enterprises, then in the sphere of commodity circulation state ownership cannot be regarded as indivisible. Paraphrasing Marx, let us ask: What sense would it make if the conductor were also the owner of the musical instruments that the individual members of his orchestra play? Experience also shows that he who owns everything often has nothing. It may be justifiably assumed that if the economy's central management undertakes also the specific owner's functions regarding the individual means of production at an enterprise (today even the clothes hooks and ashtrays at the enterprise are state property), it does not have sufficient energy left to control the central processes of the economy.

Actually the unity and indivisible nature of state ownership apply only to the sphere of the owner's strategic decisions. If we exclude the enterprises with a small work force, these decisions usually cannot be delegated to the enterprises, i.e., they cannot be decentralized. The question now is what type of state organs should exercise these strategic rights of the owner in relation to most enterprises. In a certain sense this is a technical question, one whose solution cannot be eternally valid. This question must be answered on the basis of the socioeconomic development and economic policy at any given time. Thus several versions of exercising the owner's rights also are possible, and they may function successively or in parallel (flexibly changing their proportions or even letting them compete with one another to a certain extent).

Up to now the state's rights as the owner of enterprises have been exercised essentially by branch organs of public administration (ministries), except in the case of enterprises managed by local councils. This solution, which by now may be regarded as traditional, is questionable in several respects, at least so far as the more distant future is concerned. For the branch nature of these organs is in conflict with uniform market regulation and can hamper flexible transformation of enterprise forms, the flow of capital, and cooperation between sectors. Exercise of the owner's strategic rights by public administration organs acts in the direction of excessive stresses in capital investment and can conserve the phenomena of a shortage economy. Justifiable is also the objection that public administration organs cannot be expected to make entrepreneurial decisions, yet the exercise of the owner's strategic functions requires decisions specifically of this kind. For example, decisions to establish or liquidate enterprises presuppose entrepreneurial interest. So long as enterprise managers are hired and fired by public administration organs, they will typically behave more like public employees than enterprising managers. Exercise of the owner's rights by branch organs of public administration organs prevents them from performing professionally and impartially their real economic public administrative functions and official tasks. Specifically for this reason it is theoretically warranted to consider for the future the establishment of a state owner (property-managing) organization, independent of the branch ministries. The branch ministries, of course, would not become superfluous even then, because of their economic-policy and public-administration functions.

The ideas concerning an organizational system to exercise the state's rights as owner are not yet final, and they should be prepared scientifically for a policy decision by the mid-1980's, as one possible path of development. The government could perhaps create a supreme supervisory organ (it could be called the ministry of supervision or of state ownership). Under this supreme organ, special organizations similar to financial institutions (they could be called holding organizations) would exercise the owner's strategic rights, without any differentiation by branches. A solution might be considered, especially for large enterprises, that would create two tiers in their management. Routine management of the enterprise could be entrusted to a managing committee that woud consist of the enterprise's operational managers (they would be in a majority) and of representatives of the enterprise's collective. But the owner's strategic rights would be exercised by a board of directors (or board of supervisors), most of whose members would not be enterprise representatives but representatives of outside organs, for example, of the central managing organs, social organizations, etc.

In the listed cases the exercise of owner's rights by public administration organs would cease at most enterprises (public utilities would be excluded in principle), and operational management would be separated from the exercise of the owner's strategic rights. It may be assumed that in this way the enterprise sphere would become more dynamic and the circulation of capital would become easier, without violating the unity of state ownership. All this would be in accord with the idea that Lenin expressed in the early 1920's: the socialist state's forms of motion must be relatively different when the state acts in its capacity of political authority, and again different when it acts in its capacity as economic owner.

Proposals regarding the eventual formation of an owner organization are still in the stage of basic research. The proposals must be elaborated in several

versions and in detail. We must weigh the advantages and drawbacks of the individual versions, their economic and political ripple effects (on employment, supply, the inflation rate, distribution, etc.). The consequences affecting the entire structure of the state's organization and political mechanism, and the degree of society's risk, must be analyzed. But one thing must be specified in advance: whatever the organizational solution, it must be a state organization, respectively it must not be detrimental to social ownership in any way.

Sociological Content of Social Ownership

In investigating the sociological content of ownership, the most important question concerns the sociopolitical content of a given form of ownership. For behind a state enterprise there can be either capitalist or socialist relations of ownership. In several socialist countries, investigation of the sociopolitical content of ownership has sparked debate on the extent to which state ownership is ownership by the entire people; and the cooperative form, group ownership. Lately there have arisen also such painful political questions as whether the institutionalized forms of small business are purely private ownership, do they violate social ownership, and are they generating reprivatization trends. In my opinion, if socialist political economy--on the authority of Engels--adopts the standpoint that capitalist state ownership (which can be very significant in some countries such as Austria, for example) is totally of a capitalist nature, then in a developed socialist society it is hardly justifiable to summarily classify the citizens' individual property as private ownership.

The view is gaining increasing acceptance that in the present stage of our development it is no longer possible to maintain within individual ownership the traditional rigid distinction between personal ownership and private ownership. The same car and the same lot are personal property if somebody uses them for his own needs, but they become private property if the car is used for hire, or if the vegetables grown in the weekend garden are sold on the market, etc. Thus not only the object of ownership, but also its function counts. Furthermore, statutory regulations have been restricting for a long time, in accordance with the principles of socialist income distribution and social ethics, not only the traditional objects of private ownership, but also certain objects of personal ownership. For nearly two decades, we have been classifying the household plot as personal property, although they are using means of production almost without exception, and perhaps employing also outside labor.

On the basis of all this it seems warranted to abolish the increasingly artificial distinction between private ownership and personal ownership, and to speak instead of essentially socialist civic ownership that may assume individual forms as well as collective forms. Most forms of small business have emerged as particular combinations of individual and social ownership, with the primacy of social ownership. Such combined forms are, for example, leasing, business operation by contract, enterprise-supported or specifically enterprise business work partnerships, and specialized cooperative groups. (The state-owned small company and the small cooperative are based unambiguously on social ownership.) The practice to date also shows that the overwhelming majority of small businesses are operating basically with social property, that under suitable economic and legal regulation they are able to significantly add to social property, and

that there also are ways to curb possible tendencies to exploit. Thus there is no question of reprivatization, of expanding private ownership at the expense of social ownership. (If a cooperative with 15 members is under social ownership merely because its organizational form is a cooperative, then why should, say, a 30-member enterprise business work partnership have to be classified as under private ownership, even though it provides significant services for the economy and also fits into the internal mechanism of the socialist enterprise.)

Furthermore, a significant proportion of the small businesses (for example, the enterprise business work partnerships, and business operation by contract) could be one of the directions in which the socialist enterprise's internal mechanism might develop, and they could contribute toward perfecting the internal incentives. (Of course, the opposite effect also is possible, but regulation must do everything it can to encourage the development of the positive tendencies.)

The conclusion that can be drawn from the debate on the sociopolitical nature of state ownership is that a basic task for the future is to make state ownership really mean ownership by the entire people as much as possible. Even before the economic reform, under the command directed economic system, one frequently encountered the phenomenon that state ownership did not function as ownership by the entire people, because branch, sectoral, large-enterprise, etc. interests were the dominant in it. Since the reform of economic management, we have not been able to significantly alter this negative tendency.

To strengthen the all-social nature of state ownership it will eventually be necessary to increase society's control over economic management. In this sphere the National Assembly, its committees, and the Presidential Council must be given more authority to manage the economy. A variant could come into consideration under which certain organizations--for example, people's control, the interest-promoting federations, etc.--would be fully subordinate to the central state organs. In the long run it will be possible to develop a system of organizations to represent the interests of the enterprises according to uniform principles, on the basis of the Chamber of Commerce and the cooperative federations. Within the framework of developing the professional federations, the establishment of a separate federation might become necessary to represent the interests of enterprise managers. New legal remedies will have to be provided to actually guarantee the rights of the enterprises. For example, the control of lower-level regulations that conflict with government regulations, wider opportunity to appeal to the courts from the decisions of economic management or from the decisions of the authorities, etc.

It is of fundamental importance to develop the ownership mentality of workers at state enterprises, because it would be both politically and ideologically harmful if the possibilities for this were created only on the fringes of social ownership or outside it, within the sphere of small businesses. The so-called second economy cannot be primary, a sort of model, for significant working strata (nor does the legalization of some of its forms serve this purpose). The worker must truly become a member of the collective, a social owner, primarily at his enterprise. Significant from this point of view is the interpretation of group ownership.

In my opinion, even a cooperative is not group ownership in the sense that the members of the cooperative collectively are the direct owners. The cooperative is not a corporation. The subject of cooperative ownership is the cooperative

organization that is relatively distinct from its members, a form of economic activity that is a legal entity. In most cooperatives the joint assets are indivisible. Within the framework of income regulation, the state appropriates from the cooperatives approximately the same proportion of income as from state enterprises of the same size within the same branch. Similarly as enterprise income, also cooperative income is divided among the state (society as a whole), the cooperative (the organization's indivisible funds), and the workers (the cooperative's members and employees).

The experience with cooperatives also shows that cooperative self-management, including the right to elect and supervise the management as exercised by the membership's direct forums (general meeting of members, etc.), can be truly effective only when the cooperative is relatively small. It is likewise an unambiguous experience that the interests of economic management, respectively the political interests, can be asserted suitably also in self-managed cooperatives. In my opinion, therefore, the proposal is feasible that we operate enterprises under the workers' self-management also in the state sector. (One way of implementing this proposal could be to convert the small state enterprises into cooperatives.) There is no need for the minister to appoint the director of an enterprise with a work force of 50 and to give him directions. Under suitable economic-management and political control, therefore, at smaller enterprises it is imaginable that the workers elect an enterprise council which hires the director for a specific term, on the basis of open competition. In this case, however, it will be very important that the workers at such enterprises share not only in the profit but also in the loss (a certain proportion of the wages could be ensured from a contingency fund even when the enterprise operates at a loss). But if the enterprise remains persistently unprofitable, it must be liquidated. The loss should not be borne by the state budget! In view of the small work force, the labor, social and other problems in conjunction with finding other jobs for the workers could foreseeably be solved in the spirit of socialist humaneness.

In my opinion, direct self-management by the workers cannot be employed in the state sector, except at small enterprises. The reasons for this are again technical and not ideological. For as foreign experience or the difficulties of Hungary's giant cooperatives show, self-management above a certain size can only be manipulated self-management. Then self-management is no longer effective; it makes enterprise management cumbersome, slow and bureaucratic. Instead of self-management, therefore, worker participation in management should be increased at the large and medium enterprises. Solutions could also be introduced under which the workers' ownership mentality is developed through greater incentives. Besides profit-sharing, the workers could be given an economic interest in development also through stock, shares, etc. (See the experience of the general consumer and marketing cooperatives.)

In the 1970's, development of plant democracy at state enterprises concentrated too much on worker participation in management, and stock ownership was left out from the set of instruments. In the future the suitable proportions must be restored also in this sphere. In the area of worker participation in management, it will probably be necessary to expand the role of the workers' direct forums. This will require a division of labor with the trade unions under which the trade unions will represent the interests of their members nationally or within a given sector or trade, while trade-union work at the enterprises will concentrate on representing the interests of individual workers.

Expansion, Combination, Stratification of the Forms of Ownership

Earlier social ownership was characterized by the relatively rigid duality of state ownership and cooperative ownership. Other forms of ownership either did not evolve or were rudimentary, and theory essentially disregarded them. Socio-economic development was accompanied by an expansion of the forms of social ownership, by the collapse of the rigid boundaries between forms of ownership, and by considerable differentiation of the specific forms of ownership.

Ownership by social organizations and by societies was the first example of the expansion of the forms of ownership. Social organizations always had assets of their own, and also the right to establish enterprises. At the same time the actual administration of the social organizations was similar to that of the state budgetary organs. The contradictory situation of social organizational ownership is characterized also by the fact that, according to Hungarian law, the rules governing cooperative ownership apply to ownership by social organizations, but the rules governing state economic organizations apply by analogy to the enterprises of social organizations. With the expansion of socialist democracy, the sharp distinctions between some societies and the social organizations are eroding, while the operation of other societies is approximating that of work organizations, notably of the cooperatives. Since 1977, incidentally, societies also may establish enterprises. And it is incorrect to treat also ownership by societies simply as "multiple private ownership"; its social ownership nature is constantly growing.

The assets of the joint enterprises, associations, etc. that various enterprises form by contract--i.e., through voluntary integration--may be construed as a new, secondary form of social ownership. Hungarian legislation in 1977 explicitly recognized association ownership in the case of associations of this kind formed between state enterprises and cooperatives. In my opinion, however, a new, secondary form of social ownership arises also when a joint enterprise is formed exclusively within the state sector or exclusively within the cooperative sector. For if several state enterprises establish a joint enterprise, it will already be the enterprise of these enterprises (a secondary enterprise); and if several cooperatives establish a joint enterprise, it too will not constitute direct cooperative ownership.

International ownership likewise arises as a rule through associations between enterprises. Its variant within CEMA integration, socialist international ownership, arises at present mostly on the basis of contracts between governments. But the Complex Program, and the model by-laws issued in 1976 for international economic organizations recognize also the socialist international enterprise that is based on direct relations between enterprises. Hungarian enterprises may form a joint enterprise with West [illegible]rporations not only abroad, but also in Hungary. In the latter case th[illegible] enterprise also constitutes international ownership, but with Hungarian ow[illegible]hip participation, and the enterprise operates with the permission of Hungarian economic management and under its control. Thus in no way can it be regarded simply as a private enterprise. We must take cognizance of the fact that every foreign-trade contract with a capitalist corporation involves profit appropriation by the Western partner, and without this there can be no East-West economic relations. For this very reason I regard as incomprehensible that we are raising the issue of exploitation specifically here, in the case of the very few mixed enterprises. But it

is of course natural that the expansion of mixed enterprises, operated jointly with Western partners, has its limits in every socialist country, and such enterprises must not jeopardize management of the socialist economy.

Numerous examples of the combination of the forms of ownership can be cited also in relations between the cooperative and the state sector. As of early 1980, specialized cooperative groups have been functioning within state farms. The idea has been proposed of allowing the cooperatives to establish subsidiaries, and the small cooperatives to join state enterprises as their subsidiaries.

Considerable stratification and differentiation are taking place also within the individual forms of ownership. As a continuation of earlier trends, there is growing need to recognize within state ownership--as peculiar subforms--city, community, etc. ownership, or local-council ownership of a municipal nature. This ties in with the efforts to strengthen the economy managed by the local councils, and with the fact that the local councils not only perform public administration functions, but are also self-governing organs with popular representation. In the interest of strengthening the economy managed by the local councils, for example, the local councils' rights to control public utilities should be reinforced.

Differentiation of ownership's forms of motion has a direct impact on the development of the enterprise structure, and thus also on the question of large, medium and small enterprises. Here I regard as necessary the clarification of also the question that the problems arising in the operation of certain large enterprises must not lead under any circumstances to hasty and ill-conceived decentralization tendencies, or to the excessive preferentiation of the small enterprises. State ownership cannot be "small-enterprised"; it cannot be transformed into personal social ownership of some nebulous content. It is indisputable that the enterprise structure in Hungary is distorted, due to the preponderance of large enterprises. Agile medium and small enterprises are lacking in several branches of the economy. The further spreading of small businesses is likewise necessary. And it is again indisputable that in several industries there are pseudolarge enterprises that arose through the mere administrative integration of plants and factories, during unwarranted centralization drives. Actually these organizations, operating at low productivity and losing money, should be broken up; or they should be converted into associations or other forms of integration that would ensure independence for the member enterprises, without dissipating the investments jointly undertaken so far, and without the unwarranted closure of the present foreign-trade and other joint organizations.

In the same way as the centralization drive, the decentralization drive is likewise harmful. The development of the productive forces and mass production demand the existence of large enterprises. It is common knowledge that the enterprises that are truly large and enjoy a monopoly in the domestic market are not at all big in international competition. We must take into account also the fact that the unprofitable operation of large enterprises in some industries--for example, in the aluminum industry and in ferrous metallurgy--can be attributed basically to the slump on the world market. It is necessary to subsidize temporarily from the state budget the enterprises in industries plagued by the recession. Not even systems based on private ownership would allow large enterprises to simply close down when they become unprofitable, if these large enterprises are of fundamental importance to the nation's life. The experience

in the West and in Yugoslavia unambiguously shows that the state does not let the most important large enterprises to go bankrupt, because such bankruptcies could cause a national political crisis.

Just as it is necessary to abolish the strong market position of the purely administrative large enterprises in order to ensure equal conditions for competition, and to penalize abuses of economic power and monopoly situations, it is equally necessary to ensure that small businesses do not enjoy unwarranted privileges (for example, in the area of wage regulation) at the expense of the large enterprises. We cannot return to the 19th century, and the economy cannot become the aggregate of small businesses. The difficulties and bureaucratic centralization cannot be equated simply with the large-enterprise form. Social ownership requires both the large- and the small-enterprise forms of motion. The large enterprise can be just as entrepreneurial as the small one; we must merely take cognizance of the fact that the large enterprise functions differently, and has different advantages and drawbacks than the small enterprise.

At the same time it is essential that permanent cooperational relations develop between the large enterprises on the one hand, and the small enterprises and small businesses on the other. As satellite enterprises of the large enterprises, the small enterprises must provide the indispensable background for the operation of the large enterprises. By making its technology, experts and investment resources available, the large enterprise can aid the small enterprises (or small businesses). In its turn the small enterprise can ensure capacity and cooperational security for the large enterprise. With a background of small enterprises on which it can rely, the large enterprise is able to respond more flexibly to changes in market demand, and it is also able to limit its risk.

Conclusion

The statements presented above regarding the changing concept of ownership and the expansion and combination of the forms of ownership do not in themselves require any constitutional or legislative changes in the provisions concernig social ownership. Buf if no changes are required in "primary" statutory regulation, the more desirable it is to end the overregulating effect of the lower-level regulations, public administration norms, etc. What we need most of all is to modernize this "secondary" statutory regulation, so that the outdated rigidity of the forms of ownership and various related bans, restrictions and licensing will not hamper the enterprises, cooperatives, associations, etc. in pursuing their economic activities more effectively.

Perhaps I have succeeded in demonstrating that within the institution of social ownership there are phenomena far more complicated than what was imagined previously. Accordingly, we need more, and more flexible, categories of ownership. Although the new phenomena within the institution of ownership are related to the further development of our system of economic management, their underlying tendency is an objective one, which is evident from the fact that similar phenomena are encountered also in other socialist countries. It is also necessary to develop the ideology of ownership, and it would be harmful if ideology were to disregard reality that necessarily is more complex and more eventful than theory. At the same time theory must also spread awareness of the fact that the changes must lead ahead, not backward; and that the changes will not be detrimental to socialist ownership but will foreseeably augment it.

1014
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MINISTER COMMENTS ON U.S. TRADE SANCTIONS

Warsaw RZECZPOSPOLITA in Polish 25 Oct 82 p 2

/Interview with Tadeusz Nestorowicz, minister of foreign trade, by Henryk Borucinski; date and place not given/

/Text/ In connection with the withdrawal of Poland's most-favored-nation trade status as announced by President Reagan, a PAP journalist called on the minister of foreign trade, Tadeusz Nestorowicz, to request his views on this matter.

/Question/ In spite of the fact that the press has been publishing explanations as to what most-favored-nation status means in international trade, readers are still asking whether the loss of this status in our trade relations with the U.S. is all that important.

/Answer/ I would like to explain that the actual term "most-favored-nation status" is somewhat misleading in terms of contemporary international relations, since it might suggest that Poland enjoys some special privileges in its relations with the U.S. by virtue of this status. In the meantime, the enjoyment of MFN status in trade relations with some other country does not produce any special advantages, nor does it make a country upon which this status has been conferred a privileged trading partner. Rather it only guarantees equal treatment for all trading partners who enjoy this status. It is for this reason that the withdrawal of this status is a particularly discriminatory act. I would like to remind you that at the present time approximately 90 percent of all world trade is conducted on the basis of this status.

/Question/ For how long has most-favored-nation status been a feature of international trade?

/Answer/ So as not to start by talking about the Phoenicians, I would say that one could regard the year 1055 as the major turning point in modern history in this regard. It was in that year that the then emperor Henry III granted special privileges in trade with the Italian city of Montana. However, this practice did not become widespread until the time of the industrial revolution and the related expansion of world trade. In terms of Poland's trading relations with European countries and a couple of non-European countries the most-favored-nation trading status was enjoyed on a large scale during the interwar years.

/Question/ But getting back to our relations with the U.S.....?

/Answer/ Poland acquired its most-favored-nation status under the terms of a bilateral treaty signed in 1931. In 1951, during the cold war years, the U.S. made a unilateral decision to deprive us of this status, obviously for political reasons. At this point it is worth pointing out that other western countries -- some of Poland's principal trading partners such as France and Great Britain -- did not take this action. We opened negotiations with the U.S. government in 1957 on the restoration of our most-favored-nation status. We were accorded this status 3 years later, that is, in 1960.

/Question/ Is it not true that the restoration of our most-favored-nation' trading status by the U.S. was related to the action we took to settle indemnity claims?

/Answer/ Strictly speaking, these are unrelated matters. But it is nevertheless true that negotiations on the signing of an indemnity claims treaty, that is, a treaty governing the payment of damages for the property of U.S. citizens which was nationalized in Poland, did coincide with talks on the restoration of Poland's most-favored-nation trading status. It is also true that we received most-favored-nation trading status after we signed this treaty on indemnity claims.

/Question/ However, do not our efforts aimed at securing most-favored-nation trading status prove that it is an important thing to have this status in international trade?

/Answer/ Of course, it is important. It is for this reason that Poland, realizing the need for international trade to be governed by legal arrangements and certain rules of conduct, agreed to become a party to GATT. GATT, or the General Agreement on Tariffs and Trade, is in essence a multilateral trade agreement guaranteeing that most-favored-nation status will be accorded to all signatories of this agreement, and therefore, they will benefit from the enforcement of rules calling for equal treatment and the stipulation of trading terms which eliminate all forms of discrimination. It is in accordance with these rules that 117 countries are cooperating with each other, and these countries are de facto members of this organization.

By signing the so-called protocol on accession to GATT we in principle secured a multilateral ratification of the enforcement of the most-favored-nation clause in our trade relations with all GATT member countries, including the U.S. I say multilateral ratification because in our trade relations with most GATT member countries we already had MFN status under the terms of bilateral agreements. But the point is that GATT contains provisions which seriously limits the ability of any given country to make a unilateral decision to withdraw or suspend MFN status. At this point I would like to stress that there is nothing to indicate that the U.S. ever wanted to comply with these provisions. The fact that the U.S. makes such decisions without consulting GATT ought to constitute a flagrant violation of the rules of this organization, ought to deal a sharp blow to the established "rules of the game" in international trade, and, as a result, ought to undermine the mutual trust of those who are a party to these trade relations, not to mention the fact

that the strength of this organization is seriously weakened. This unprecedented decision may wind up serving as a strong warning to other countries engaging in international trade.

/Question/ So, how do the percentages shape up when it comes to our projected losses in terms of the volume of our export sales to the U.S. and in terms of the overall volume of our export sales?

/Answer/ If we assume that our annual export sales to the U.S. will amount to approximately 200 million dollars and the average increase in tariffs on our goods in the wake of the suspension of MFN status, according to preliminary estimates, will reach a level of around 20 percent of the value of these exported goods, then we can assume that our earnings -- provided we choose to maintain this level of export sales -- will be reduced by approximately 40 million dollars.

/Question/ Can one conclude from this that the average Polish citizen is still going to bear most of the burden of these U.S. decisions?

/Answer/ Naturally, for as I already mentioned the implementation of this decision will bring about a decline in our hard-currency earnings, and this is a factor which may retard the growth of our imports, which currently account for almost all of our purchases of raw materials, agricultural produce and processed foodstuffs, and spare parts. In order to alleviate the consequences of this decision we will take action geared toward the geographic reorientation of our foreign trade.

/Question/ Are we not faced with certain contradictions in terms of the actions the U.S. government has taken against Poland? This is because, on the one hand, that country wants us to live up to our foreign loan repayment obligations, whereas, on the other hand, it is enforcing sanctions against us which, as a result, may have a negative impact on our ability to service our foreign debt.

/Answer/ This is not a contradiction, but rather a reflection of a deliberate policy being pursued by the U.S. government.

11813
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RESULTS OF ECONOMIC REFORM ASSESSED

Reform on Macroeconomic Scale

Warsaw POLITYKA in Polish No 1, 1 Jan 83 p3

[Interview with Prof Wladyslaw Bak, member of the Government Presidium and Plenipotentiary on the Economic Reform, by Andrzej Mozolowski: "Intentions, Successes, Worries, Doubts"]

[Text] [Question] The results of the first year of the reform were neither a triumph nor a disaster. What do you think?

[Answer] Just results, overall good ones, that is, the beginning of a process of many years to restore health to the economic system. With great resistance, under terribly difficult conditions, as everyone knows, but things are going forward at any rate in every regard, in terms of legislation, in terms of management, in terms of reaching the social consciousness, and also in terms of the effects which the reform is beginning to produce for the economy and the society.

[Question] The results may be positive, but they have not been like lightning. And there has surely been interference. You wrote in ZYCIE GOSPODARCZY that there were the price reform, automation of the banking system, the rebuilding of the enterprises' financial system, and so on. But if we look at each of these things, we see that the thing with price reform, for example, is that we are withdrawing from it! To start with contract prices were used for more than half all market prices, but now the figure is down to 45 percent, and next year you are promising a further shrinking of this truly reformed sphere. Is this not a step backwards?

[Answer] First, your information is not correct. The shrinkage -- and it is not a great shrinkage -- will apply to supply items, about 75 percent of which are presently included in contract prices. Second, I do not think that you can judge the extent of progress or retrogression by the share of free prices in the commodity price structure, because that is not a goal of the reform. It is merely an instrument. If we could achieve its goals through official prices, I would not hesitate to use them. Likewise, if it would accomplish

the goals of the reform to introduce complete price liberalization, I would do that. It turns out that neither the former method nor the latter comes into play. We have pluses and minuses. We have to look for the golden mean. Take Hungary, for example. After a dozen and some years of reform the relationship between official prices, maximum prices, and free prices there is one-third each. Taking into account the 1982 experience, we had to correct the scope of contract prices, but in no case can you treat this as a step backwards in terms of the reform. On the plus side of the reform I have to say that during this year a conviction firmly rooted in the social mind weakened, the conviction that the state backed every price, including the price of parsley, that prices do not come from supply and demand, the costs of production and productivity, but are merely decreed, and that the state either willy-nilly lowers them out of generosity or raises them out of meanness against the nation. These kernels of the economic concept of prices must be deepened and bolstered in the public mind.

[Question] Let us pass on to the next issue, that of the reform of the banking system. I do not believe in any bank autonomy, until I see at least one enterprise declare bankruptcy. But how many have gone bankrupt so far? At the beginning people said: We have 700 potential bankruptcies, and the directors raised a lament against bank terror. As time went by, along with a lot of laments, the number of enterprises going into liquidation fell to 70 on the banks' black lists. Then to 15. The figure now stands at zero. One more myth.

[Answer] You have found yourself a rather peculiar determinant of bank system autonomy. There is after all no connection between that and bankruptcy. It is perfectly easy to imagine one without the other.

[Question] I can see that you have the imagination that I lack, Mr Minister, because I cannot imagine that.

[Answer] In its way, there was a great deal of emotion behind the expectation of the bankruptcy of a state enterprise. People wanted some sort of spectacle which would show everyone that we had really entered a new era, but I think that it is a good thing that as it turned out there were no bankruptcies. Try to understand that the bankruptcy of a state enterprise is a completely new, unknown phenomenon in a socialist economy. There are really going to be serious consequences: for the management of the enterprise, for the self-government, and for the whole workforce. A board of commissioners, receivership, people being forced to change jobs, usually financial problems. For it to be effective and just, we should have anticipated a stormy period to rebuild the system. We could not let the enterprise suffer the fatal consequences and go bankrupt, for example, just because it did not get the new price lists on time and the cost calculations were off, or because other essential formalities were not taken care of. Second, we have to have a law to regulate the whole thing. The Tenth Group of the Economic Reform Commission has already drawn up one, and it was not easy. We published the draft. Discussions on it are coming

to a close. Soon it will go to the Council of Ministers, and then to the Sejm.

[Question] When exactly?

[Answer] I think by the end of the first quarter, so next year you can expect your bankruptcies, except that these will not be incidental bankruptcies but they will occur with the full majesty of the law. We must approach such important matters in an extremely responsible way, with care. If we not do this our disgrace would be easy. Then there would be joy in certain circles.

[Question] I will wait impatiently. The next thing is the complete fiasco in the area of the rationalization of employment. In some enterprises there are lots of parasites, while others have a terrible shortage of people, and there is not the force to upset these fossilized structures.

[Answer] True, except that this is the result both of external factors outside the reform and its mechanism in 1982. Although "with a human face," a mistake was made in the decision on early retirements, a program put forth a year and a half ago because of an apocalyptic vision of massive unemployment, but the program caused half a million people to leave their jobs by 1983 instead of the 200,000 we had anticipated. Further, the enterprise is a social structure as well as an economic one. Neither the management nor the workers nor the self-governments are anxious to fire people, for many reasons, in terms of both solidarity and security. Most easily accepted is the practice of letting people go only in instances where the employees clearly are poor workers (and not even always then), but it is more difficult to let people go because there is excess employment and people have nothing to do.

[Question] What is more, the courts share this point of view. They order the rehiring of "innocent" employees who have been let go. Can we even think about an effective employment policy, if the decisive factor is to be not an economic criterion but a moral one, one of fault and penalty?

[Answer] No. Up until now principles giving people a sense of absolute occupational stability have been in effect in this area. We paid and are paying for this social comfort with terrible work discipline, low productivity, and, as a result, a low standard of living. It is time to decide. It is painful, but everything has its price. You pay something for something. The "experts" on the problem do not understand this, saying they think we can create a system of operation, a conglomerate combining only the good features of various systems, so that we pick the raisins out of the old system of directive distribution and join them to the good things of a new one, because that would be a very tasty dish. They would like work discipline to be "human" and for productivity to be high, so that production increases and free time is increased, so that prices are low and the market is completely balanced, with high operating flexibility along with comprehensive discipline in the plan, and so on. Basically this means having the pleasure while keeping your virtue.

[Question] Virgin voluntarism. But don't you think that alongside the reform elements, there were also certain systems solutions which contributed to the downfall of employment policy? In the first place, that ill-favored Vocational Activation Fund [FAZ], which in well understood self-interest made the enterprises keep everyone, even people not needed for anything, and if possible take on some who likewise were not needed either, and even worse, had no qualification, because by so doing the enterprises could reduce their mean wage?

[Answer] Yes, I think so. That is already past history. Such a solution was also dictated by the fear of unemployment and an excessive rise in wages that was not covered. We knew that its life was calculated at a year, but in its own way, unemployment...If in Poland we had today let us say 50,000 people looking for jobs, I can imagine the social atmosphere. What would the papers be saying, POLITYKA included?

[Question] But why create a powerful FAZ at all to provide a social screen for fired employees if nobody is firing anyone?

[Answer] It is not all that powerful. Some 10 billion zlotys this year (up till November), but it seems to have been effective enough as a preventive measure. I think that it prevented a danger in the inflationary effects of wage increases in the enterprises with the freedom and possibility in that respect. The fact that it had a bearing on the enterprises' financing depending on the level of the mean wage, which produced absolutely pathological reactions, is another matter. Different decisions were made for next year. The increase in wages will be free of FAZ taxes if it remains within a certain proportion to the increase in net sold production. In other words, an enterprise with money can increase wages as much as it likes, under the condition that this is not "empty money" that is not covered. It has to come out of a real increase in necessary (because it is sold) production or a real decline in material costs.

[Question] The authors of the reform are proud of having introduced a "single zloty," a standard zloty to eliminate that terrible old "pigeonholing" of investment zlotys, turnover zlotys, personnel and nonpersonnel zlotys, zlotys for materials, and so on, without the possibility of transferring money from one pigeonhole to another. But at the same time you yourself are calling for pigeonholes, one for zlotys without cover, one for "covered" zlotys, one for zlotys which the enterprise earns honorably, one for zlotys coming from artificially manipulated price increases...

[Answer] This is ordinary talk. I am not asking for anything. No pigeonholes. On the other hand, I do think that the enterprise's cash drawer should have effective filters installed which would mean that it would have at its disposal money it had honestly earned. This would mean money really due it, money with which it can do whatever it likes.

[Question] Can such perfect filters be installed? People are saying the worst possible things about the tax system projected for this next year, especially the people who went to the last conference at the Institute for Management and the Continuing Education of Personnel.

[Answer] It is a question not of a tax system but of putting the whole sphere of manufacturing costs in order, but insofar as criticism is concerned, it is true that the progressive income tax is not a good solution. The only thing is that today we have no alternative. I too am for a linear tax. For example, you pay tax amounting to 60 percent of your profits regardless of the amount of the profits obtained or the rate of profitability. The only thing is t t in order to be able to implement this principle, you have to have .ertain conditions fulfilled that do not presently exist. Today, as the result of such a change the poor would become poorer and the rich richer. The people taking part in the conference could overlook these conditions, but I cannot, because I am responsible for it. I cannot be satisfied with a general idea. We must take into account the concrete elements and what is called "the technology of realization."

[Question] Do you think that it is possible to implement the reform and get out of the crisis while continuing the current social policy, which clearly levels out the incentives which motivate people to action geared to the effectiveness of various components of the reform?

[Answer] This is the basic dilemma of a socialist economy: how to reconcile incentives for economic effectiveness with the moral-social values of socialism and, in particular, the trends toward egalitarianism. The dilemma is not new. The reform has only gotten it out of hiding, thrust it into the bright light of cost effectiveness, and the light is all the more bright and harsh in that all this is going on during a crisis, when the slogan "identical stomachs" is especially timely. In the triad of social justice, economic balance, and economic effectiveness, there was always a tendency to upset the harmony among these three elements to the disadvantage of the latter two. Meanwhile, a poorly conceived idea of social justice, in the long run, impedes progress toward the socialist state prosperity. The forcing of such a direction would be bound to have a bad influence on the economy's effectiveness, up to the moment in which the service recipient would be left in the marketplace with worthless money in his hand. I call for the defense of the population groups that are economically weakest, but by income redistribution, not by issuing money without any backing. I am calling for a certain level of services, but I protest the absolutely dangerous expansion of the number of service recipients. We are surely the country with the largest share of pensioners and retired people "at the prime of life." This is all the more disturbing in that in the long-range prospects of the period from now to the end of this decade there must be a reduction in the increase in labor resources, which creates an unpleasant picture in conjunction with the shortening of the workweek. The question calls for penetrating analysis and action.

[Question] I think you have contradicted yourself. Redistribution means to take from those who have too much and to give to those who have too little. This means to equalize, in the best case, to greatly reduce the disparity in incomes, but this action goes against incentives, reform-oriented action.

[Answer] No! My hypothesis in no way interferes with great differences in incomes, if they are created through a real difference in productivity. I am for giving high-level bonuses for real productivity and for "taking" money everywhere from those people whose money does not come from productivity.

[Question] Well, then, the social program. Is the government eagerly giving its ear to your concepts here?

[Answer] It is not a question of the government's giving its ear. This is the government's position, but it has not been transformed yet into sufficiently effective action, because the government is under very strong social pressure, as well as pressure from the Sejm. Here it is no good to operate in an authoritative manner. You have to convince people. Sometimes in this area things can even become dramatic, but this is better than pretending that everything is all right. All of us must learn economics, and this means the society, and the Sejm, and the government.

[Question] Many economists are very severe in their criticism of the operations of the associations and certain ministries blocking the reform. Prof B. Glinski has even called for the directors of the subsector ministries to give up their participation in the government, owing to their parochialism. What do you think about that?

[Answer] If parochialism could be overcome in this way while the efficient functioning of the central level of administration in the general social interest was insured, I think that this solution would quickly come to pass, particularly given the present, exceptionally strong political will concerning the implementation of the reform. The issue is far more complicated, however. I do not have the slightest intention of being a defender of the bureaucratic issue, but it really does not seem to make any sense to me to treat all the bureaucrats of the subsector ministries as adversaries of the reform. I have become convinced of this in numerous personal contacts. On the other hand, the thing is that these ministries must adapt the principle of their participation to the reform. This is difficult, especially since it is necessary to reconcile "current interventionism" with statutory tasks. Meanwhile, no speedy relief is being provided by the economic sciences or by administration and management science.

[Question] The reform is people. Are the directors getting by with the new principles?

[Answer] It varies a good deal. A small proportion is getting along fine. These are economic activists with some imagination, those for whom the reform makes it possible to solve puzzles. They manifest new talents. New forms come out into the open. It is good that there are more and more young people. There are dramas too. Many old-fashioned directors were masters at the art of working out a plan "for the industrial association" that would spend the greatest amount and produce the

least, or at using strategems of various sorts to gain the favor of a ministry or industrial association, to obtain additional funds, and so on, but now these abilities appear useless.

[Question] Is this certain? Again there seem to be differences in the standards, new recognition factors. Maybe these are qualifications which suddenly will take on new value?

[Answer] I would be less than frank if I were to tell you that I do not share your anxiety. The situation, for example, in the realm of wages is such that it is not possible to limit oneself to a single universal system, because this would be unjust, but, in turn, the "manual steering" using standards creates the danger of requiring familiarity. What is left? Great effort to see that what is to be individualized (those wage standards between 0.5 and 0.8) is defined with clear, universally known criteria. Again the aid of science is required.

[Question] Do you want to write-off those directors, the activists with the old-fashioned ideas?

[Answer] By no means. This is the very reason we are organizing an expanded training system, and also a system of checking on knowledge concerning the reform among managerial personnel. I know that there is a lot of reluctance regarding this. Monitoring of this type is being conducted every 6 months in the army. It will work with us civilians too. A system of checks inclines people to become familiar with the principles of the reform. I am certain that this way we will gain many advocates, who up until now took a dim view of the changes being implemented, because there is no fear like that of the unknown.

[Question] And will a check also be run to see that directors at the URM and also the employees of your office are up to date on their information?

[Answer] I assure you that it will. Concretely, on 10 January of this year. As in other bodies of the state administration.

[Question] The directors and also the self-governments of the enterprises constantly live in uncertainty about tomorrow. They never know whether the enthusiasm of the perfectionists of the reform and the energy of the economic politicians will change on them from day to day and alter the rules of play. They do not know when they will be burned by some sort of FAZ or ad hoc tax or some other tactic, calculation, or plan which has been worked out and implemented. Will they protect themselves against such surpises this year?

[Answer] In this uncertain world it is hard to be certain about the future. Take a look around you. What do you see? It is no joke. We do not live protected. Much depends on foreign relations. It would therefore be silly for me to say that all the elements of the system were fixed. We are really doing a great deal so that nobody is burned by a new tax, so that nobody is surprised by some extra solution.

[Question] And the last question: Do you believe the reform is going to work for us?

[Answer] This may surprise you, but I believe it is going to. In autumn of 1980, when I began organizing the reform commission's work, I believed we could be successful in working out the concept of an ambitious reform we did not even dare dream of in the 1960's and 1970's, one we could not dream could be adopted the way it was. At the beginning of 1982 I believed that despite all the things against it, we would begin to implement the reform on a broad front, the way it happened. Entering 1983 I believe that the reform will be consistently implemented, that it will put down deep roots, and that it will make profound changes in socioeconomic life in our country.

[Question] If only it does. Thank you for the interview.

Reform on Microeconomic Scale

Warsaw POLITYKA in Polish No 2, 8 Jan 83 p 4

[Article by Prof Dr Boleslaw Siwon, of the Economic Academy in Wroclaw: "Reform on the Microeconomic Scale"]

[Text] Recently many articles have been published, like those by B. Minec, J. Kaleta, J. Kleer, W. Bak, and Z. Albrecht, to show that the rate of the reformed economy is too slow and that new defects are appearing in its functioning. The main causes mentioned for these phenomena are supply difficulties, shortages of many products (raw and other materials, fuels, and so on), hindrances in foreign trade, balance-of-payments problems, and so on.

These signals, which come from microeconomic analysis and observation, explain a great deal, but they do not tell the whole story. It is worth looking at the phenomena being mentioned on the side of the enterprises, that is, from the microeconomic standpoint. Otherwise, we cannot get a complete notion, for example, of why nearly half the enterprises are showing profits in excess of 30 percent, but about 2,000 enterprises are bragging of profits exceeding 50 percent.

The authors of the reformed system of administration counted on improvement in the running of enterprises as the result of the introduction of the profit motive as the basic measure of microeconomic effectiveness and the stimulus to improved efficiency. If we now find the profit rate is too high, then we have to ask about this mechanism.

The adopted financial-economic system and principles of organizing the national economy have an impact on enterprise management and employees through the intermediary of three main instruments of economic measurement: prices, costs, and wages (I am taking into account only material measurement parameters, not the moral, social, political, and similar ones, although I realize their significance). The microeconomics game in the enter-

prises boils down mainly to constant adaptation: of prime costs to selling prices, of wages to prime costs, and so on. Three main roads lead to improved profitability in the enterprises:

Improving the commercial value of the product (its quality, usefulness, aesthetics, adaptation to people's likes, and so on), thereby increasing the sales and therefore also the production,

Better use of means and working time (reducing prime costs),

Increasing sales prices.

In order to improve the product's commercial value it is necessary to wage a steadfast battle with suppliers, employees, technology, and technical equipment, and therefore mainly make consistent improvements in work organization within the enterprise. J. Poprzeczka "Indifference to Quality" (POLITYKA 28) provides testimony as to the difficulties in this struggle and the "give-up" attitude of the management in most enterprises on this issue.

In order to reduce prime costs management must also wage a battle with the workers (in a humane way, of course), who try to earn as much as possible with the least effort. The better use of resources as the main action leading to cost reduction is made very difficult under our conditions by late and irregular deliveries of supplies, which mean that work is speeded up after the deliveries are received (execution of annual and other plans, living up to contracts with consumers, assuring deliveries for work that has "the green light," and so on). It is probably a truism that the struggle with the workers and the suppliers is far more difficult than:

a) resolving the issue of higher prices or lower quality (and therefore lower prime cost) with a socialized enterprise-consumer,

b) with regard to the private consumer using the institution of contract prices, which in practice means "dictated prices."

Therefore in wanting to describe the causes underlying what up until now has been the incomplete operation of the mechanisms of the economic reform, we must consider whether the conditions under which enterprise management makes decisions favor the struggle for quality and the better use of resources or whether they encourage them to call for ever higher prices. Let us look at a few examples.

Industry for Industry's Sake

The only consumers of the products of our industry and therefore also the only sources of financing for this activity coming out of profits are:

a) the population with its income, and hence, payroll fund, social services, income from the sales of farm products, livestock, services of the crafts and trades, and so on,

b) economic apparatus, covering purchases out of investment funds, working capital, and so on,

c) state budget financing purchases for the purposes of defense, security, the construction and maintenance of roads, bridges, and so on, out of taxes, and other income (mainly from the operations of enterprises).

As J. Kleer (POLITYKA 10) wrote, we have reached the point where per capita national income in Poland in 1978 reached 3,700 dollars, according to the World Bank's estimates (and in 1979, 3,200 dollars, according to the author's estimate). This income placed Poland very high in the world hierarchy, although the average citizen in our country did not sense this at all. J. Kleer points out three reasons for this:

a) sharp rise in industry's share in creating national income while the infrastructure remained underdeveloped, which does not provide for the relatively rational use of the good produced,

b) in industrial production the costs of materials are rising faster than net production, and therefore the cost of each zloty of increase in national income is greater and greater,

c) the created industrial product has been designated more and more for the internal consumption of industry itself.

Let us look first of all at the "internal consumption" of the economic system. Data of the Main Statistical Office (GUS) show that out of the gross production of industry, which amounted to 4,815,453 million zlotys in 1979, 1,040,513 million, or somewhat more than 20 percent, went for the population's consumption financed out of its personal income. The rest of the product:

a) remained with the producer (as an increase in stock, which we will come back to),

b) was sold to other producers for further processing or use,

c) was sold to the state for the purposes of defense, security, transportation, public health, and so on.

The consumers mentioned in points b) and c) are not so sensitive to reductions in quality or rises in prices as private consumers are. Hence, we can defend the view that industrial production directed for the most part to general purposes slipped out from under the pressure of consumers

and still does, and its costs, assortment of items, quality, and prices have become the domain of "bureaucratic-technocratic pushing" and not "market mechanisms," as was the intention of the reform.

Excessively High Costs

In our publications there has been requent emphasis on economically irrational developmental trends in the costs of production. These were most often related to excessive materials-intensiveness, exaggerated use of electric power, disadvantageous transport costs. The GUS data provide good basis for justifying the hypothesis of excessive materials-intensiveness, because in 1979 material costs accounted for 3,438.5 billion zlotys out of 5,373.0 billion zlotys of gross production, and net production was 1,935.4 billion. Despite the increase in wages during the past decade, the material costs of production have remained at a high level.

Past analyses have glossed over another cause of the increase in materials costs (besides the materials-intensiveness of basic products), which would seem to be more significant than the direct cost of materials, that is, the rise in stocks included in gross production: production in process, part -finished products, finished products not sold, and clearings of accounts of costs from one period to another.

Let us look at a comparison of the growth rate of various elements which characterize the development of industrial production from 1960 to 1979, taking the data of the year 1960 as 100 (our own calculations based on the GUS yearbook for 1980):

Gross production	460	Material-commodity sotcks	976
National income	440	Production stocks (activated prices)	739
Payroll fund	478.7		
Mean wage	295.8		

Because production in process and partly-finished products are usually involved with the lion's share of materials costs back during the initial stage of processing, then the increase in total production of 460 and that of production stocks of 739 (not counting here the increase in material stocks in warehouses) are bound to cause in the calculations an increase in the material costs of a zloty of national income. Large sums are committed in these stocks, because in 1960 they were 128,534 million zlotys and in 1979, 949,905 million.

Great declines in all sorts of stock took place during the first year of the implementation of the reform and worsening supply difficulties. Hence their cost was included in the current accounts of profits and losses, without a full reflection in the current costs of the period. Along with the total of these costs we could see buried in them all sorts of reserves which had come into being as the result of intentional and unintential inaccuracies in setting prices. Hence the effects are examples of both

excessive profits and also of unanticipated losses in the current process of evaluation.

When we also take into account the fact that this year too in many enterprises there will be an increase in stocks of unfinished production (mainly production in process) resulting of inadequate or irregular deliveries (production of sections of apparatus is begun and is then held up owing to the fact that certain elements to come from coproduction are missing, then another series is begun at the same time, in order to provide employment and wages), we must count on grave upsets in the final analysis of the 1982 financial result. All sorts of surprises appear possible in most of the enterprises.

We have given examples here of two areas where the mechanisms of the reform are not operating in a complete or entirely effective way. There are more of them in the microorganisms of the economy. The situation undoubtedly needs to have them brought to light and then have the component parts of the mechanism of the reform supplemented to combat distortions in the functioning of the economy.

Of course there is no turning back from the reform, because maintaining the previous course would be suicide, but we must make current improvements in the pragmatics of the reform. The basic difficulty lies in the fact that man is simultaneously the creator of the mechanism of the reform and the object of its influence. In these two cases he usually reacts in different ways, as we can see in the acts of professors of economic science as deans, plant managers, and directors of institutes.

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GATT, MOST-FAVORED-NATION CLAUSE DISCUSSED

Foreign Trade Minister Comments

Warsaw RZECZPOSPOLITA in Polish 27 Dec 82 pp 1, 2

[Interview with Tadeusz Nestorowicz, minister of foreign trade, by Tomasz Bartoszewicz; date and place not specified]

[Text] On 24 through 29 November of this year, a ministerial-level conference of state-members of the General Agreement on Tariffs and Trade was held in Geneva. A RZECZPOSPOLITA correspondent interviewed minister of foreign trade Tadeusz Nestorowicz about the results of this conference and the policy of Poland with regard to GATT.

[Question] Mr Minister, you headed the Polish delegation at the ministerial conference of GATT. How do you view the results of this conference?

[Answer] The conference was devoted to discussing the current situation in international trade as well as searching for solutions which could thwart the tendency towards the proliferation of various obstacles and barriers to this trade.

The continuing economic recession in capitalist countries which, among other things has manifested itself in the decline of their industrial production and a considerable decrease of the growth rate of reciprocal trade turnover, has fueled apprehension among GATT members as to the stability of principles and rules of international trade policy which they have undertaken to observe.

In the environment of difficulties with marketing goods inside western economies and growing unemployment, export becomes an important opportunity for shoring up economic performance. On the other hand, imports put many domestic industries in jeopardy. Against this background, the governments resort to the policy of protecting domestic markets and promoting exports. This applies equally to industry and agriculture. Similar tendencies occur in developing countries, though in this case they reflect a drastically different economic situation of these countries.

This brings about an obvious collision of interests and causes numerous political and trade conflicts. Different interests and concepts of resolving

current difficulties were expressed in the course of preparations for the conference as well as on the conference floor.

Basic differences of interests occurred between the developed capitalist countries, the United States and the EEC, on the one hand and the developing nations on the other. These differences brought on a grave impasse at the conference. After much effort and maneuvering, a compromise final document was agreed upon.

The document, among other things, calls for the compliance with effective principles of international trade and comes out against protectionist policies. However, the bulk of concrete propositions aimed at trade liberalization and a modification of the principles of international trade relations was postponed until the GATT conference which will be held in November 1984. The declaration, however, provides for a possible continuation of working discussions.

The expression of common will to counteract protectionism is an especially significant result of the conference. The practice of trade relations will show the meaning of it. We are interested in seeing this appeal do more than just remain on paper.

[Question] This is a global evaluation of international trade. In your opinion, what conclusions can be drawn from this conference with regard to our foreign trade?

[Answer] Economic recession in western countries makes our efforts as an exporter more difficult. In general, however, we account for a marginal share of the market in these countries. Therefore, we are in a relatively better situation than many other partners in international trade. On the other hand, recessions exacerbate competition. It gives victory to the most efficient and attractive competitor. We must draw appropriate conclusions from this fact.

In the sphere of trade policy, we attach great importance to the inviolability of the GATT principles and the respect for them in trade relations. This applies especially to the principle of nondiscrimination, incorporated in the most-favored-nation clause, the requirement of consultation and principles of settling disputes. We adhere to these principles in our trade policy. I must stress that in doing so we are not alone in the GATT forum. Socialist countries participants of GATT such as Czechoslovakia, Yugoslavia, Cuba, Romania and Hungary adhere to the same approach.

We will vigorously participate in further GATT proceedings envisaged by the ministerial declaration. The declaration specifically addresses the elimination of barriers and minimization of uncertainty and risk in trade relations.

[Question] However, the United States has suspended the most-favored-nation clause for Poland...

[Answer] We have presented our stand on this issue to world public [opinion] many times, and we also did so at the ministerial conference of GATT. This measure of the United States is illegal from the standpoint of the GATT principles. The most-favored-nation clause is the foundation of GATT. Its suspension with regard to any of the member countries is inadmissible. The U.S. action was prompted by purely political motivations. We resolutely reject the attempts by the United States to legalize its action at the GATT forum. Indeed, the United States did not secure acceptance for the suspension of the most-favored-nation status for Poland. This issue along with a resolution drafted by us is still under consideration of the GATT forum.

[Question] Mr Minister, will the currently introduced economic reform in foreign trade influence our further activity in GATT?

[Answer] Our intention is to bring about an arrangement whereby the tariff system assumes a full price setting function. We are now working on modifying this system in accordance with the principles of economic reform. This work will require a certain amount of time. As a result of this work, we will strive to modify the conditions of our GATT membership and to base them on the same principles which other member countries enjoy.

U.S. Action Deplored

Warsaw POLITYKA in Polish No 3, 15 Jan 83 pp 17-18 of Supplement

[Article by Tomasz Bartoszewicz: "Poland and GATT"; passages enclosed in slantlines printed in boldface]

[Text] /In our country, public opinion usually takes interest in the activity of GATT [General Agreement on Tariffs and Trade] only "on celebrated occasions." However, it so happened that recently a lot has been written in our press about GATT. Initially, Poland filed a complaint on the floor of the GATT council regarding the suspension of the most-favored-nation clause by the United States. Somewhat later, a ministerial conference was held for the first time in 9 years. Key issues in world trade were discussed at the conference./

In the beginning, let us mention that GATT is primarily a multilateral trade agreement whereby members mutually accord each other the most-favored-nation status and undertake to observe certain rules in mutual trade. In 1947, when the agreement was negotiated, it was regarded as only a temporary and transitory solution, since the Havana conference was under way. The conference was to set up the International Trade Organization. GATT was only meant to regulate mutual relations until the Havana Charter took effect. However, it turned out that nothing lasts longer than temporary solutions. The Havana Charter never took effect, due to, among other things, the refusal of the U.S. Senate to ratify it. GATT became the sole compilation of rules and principles recognized by all major participants in the world [trade] turnover, which at the time meant mainly developed capitalist countries. The notion of "the Third World" did not yet exist. The states of Latin America constituted a majority of the countries which we would today call

independent developing states. At the time, these countries to a large degree ignored the existence of "the temporary structure," considering the issue too serious to be regulated on a temporary basis. Socialist countries on their part, refused to join GATT (except Czechoslovakia), considering that the system of international trade regulation envisaged by the General Agreement does not provide for the existence of economic systems other than the liberal free market model where customs duties are the only means of regulating imports. As far as Czechoslovakia is concerned, it joined other founding members of GATT due to the simple reason that this occurred before the socialist changes in its economy.

Consolidation of tariffs of the member countries and their negotiated reduction is the second "cornerstone" of GATT, along with the unconditional most-favored-nation clause. It is not by accident that in the very title of the treaty "tariffs" are mentioned in the first place, before trade./ The GATT system was, therefore, somehow "ideologically alien" for socialist countries, which by the end of the 1940s used a rigorous orders-distribution system in their management of national economies almost without exceptions./ A majority of these countries did not at all use tariffs in foreign trade, while even the ones which did preserve tariffs (as Czechoslovakia) did not use this system of regulating imports efficiently.

Meanwhile, the General Agreement, which somewhat by necessity became the main regulator of international trade, gradually began to turn into an international quasiorganization. It turned out that various countries put different interpretations on particular articles. It was necessary to maintain permanent contact, not limiting it to occasional conferences of signatories only. Gradually, a secretariat was organized. Subsequently a working organ for the time between sessions, the Council was set up. The council in its turn set up various committees and working groups. In a word, regular activity started which made GATT similar to the International Trade Organization, though the agreement never formally took over the functions of the organization....

/After the end of the "cold war" and gradual normalization of the East-West trade, the view of GATT taken by the socialist countries began to change. Poland was at the forefront, having taken steps to join the agreement as early as 1956./ The issue was not easy, however. New members were required to pay a certain "sign-up fee" in the form of concessions granted to other participants in the agreement. In the case of countries with normal customs systems, there were relatively few complications. The level of tariffs had to be negotiated with them. However, it was not immediately clear what to do about a country which at the time did not have any tariffs.

A solution was found 11 years later in the form of the so-called import commitment, which in principle had to serve as "an equivalent" of customs concessions. The reasoning behind it was quite simple: a reduction in tariffs results, at least in theory, in increased imports. In the absence of tariffs this growth must be guaranteed directly as a commitment to increase imports at a given annual rate or a rate spread over several years. In the case of Poland the guaranteed annual growth of imports was set at 7 percent (after

the so-called renegotiation in 1970, by an average of 7 percent annually over 3-year periods).

/When the import commitment was made in 1967, carrying it out seemed to be relatively easy. It was assumed that foreign trade turnover would grow quite fast./ Simultaneously, in exchange for what seemed to be an insignificant commitment at the time, Poland was to be admitted to full membership, enjoying among other things, unconditional multilateral most-favored-nation clause and a commitment to eliminate gradually all forms of discrimination (especially the so-called discriminatory quantitative quotas used by West European countries).

/In 1970, Romania followed Poland in joining GATT. Romania, however, made a more cautious commitment not to reduce the share of GATT countries in its foreign trade plans. At the same time, Hungary applied for membership, however resolutely rejecting from the very outset the concept of any binding import commitment./ The thinking was that the economic reform of 1968 made it possible for Hungary to claim a status identical to that of western countries, since it created an efficient system of tariffs. This approach worked out, and in 1973 Hungary was admitted to GATT on the basis of tariff concessions.

/The Hungarian success proved that an economic reform can secure regular membership without making additional commitments./ At the same time, the conviction began to build up that the conditions on which Poland was admitted are not at all as favorable as was thought in 1967. The import commitment turned out to be a rigid formula, which hindered efficient negotiations at subsequent rounds of tariff talks. Besides, it was becoming clear that the import commitment would be impossible to carry out from the second half of the 1970s on. These circumstances prompted /the decision to establish an import tariff in Poland effective 1 January 1976/. Unlike the case of Hungary, the introduction of tariffs was not accompanied by reforms in the system of management. Due to this, it was quite difficult to discern the function of the tariffs in the system of regulating imports. Soon it became clear that without genuine reforms it does not make sense to present the tariffs to GATT. Genuine reforms, in their turn, were not about to be introduced in the late 1970s....

/Thus, a strange situation arose: we had tariffs, which to a large degree were set up with changing the conditions of our GATT membership in mind and we could not use this tool. At the same time, since 1978 the Polish import commitment has not been met, simply because Poland has been unable to do that./

The initiation of work on the economic reform after the August turning point apparently foreshadowed a fundamental change in this situation. However due to various considerations it was decided to postpone the reform of the tariff system. The decision was made proceeding from the assumption that the international situation, then favorable for Poland, would be guarantee enough in GATT, despite the failure to meet the import commitment. What has happened later is now common knowledge.

It is beyond any doubt that President Reagan's decision to suspend the most-favored-nation clause for Poland was not made as a consequence of our failure to meet the import commitment. After all, this excuse occurred to the White House literally at the last moment. The entire measure was carried out by the Americans in an exceptionally sloppy fashion, violating elementary procedural standards of GATT. Even those who do not wish our country well admit to this. This all, however, in no way alters the fact that the conditions of Polish membership in GATT remain an unsettled issue.

Let us even assume that a fundamental change of external environment takes place and the United States abandons the policy of sanctions against Poland, which must happen sooner or later. /We still must determine the principles of our participation in GATT/ unless we restrict ourselves to the so-called "dead membership." The concept of applying for a waiver (a temporary exemption from commitments granted by the decision of a two-thirds majority of the GATT membership) is only a short-run solution. We must be aware of the fact that over a couple or maybe even a dozen years to come we will not be able to increase imports substantially, even if we manage to increase exports rapidly. The surplus revenue will have to be allocated to repaying at least a part of the debt.

Therefore, the Hungarian approach is the only way out. It presupposes, however, a fundamental reform of the system of tariffs, which cannot concentrade on the functions it now fulfills. /The tariff system must become a genuine import regulator./ Of course this requires far-reaching changes not only in the tariff system itself, but in the entire system of managing foreign trade. However, there is no other way.

Thus, the position of Poland in GATT is complicated. To be sure, the conference of member states neither endorsed the suspension of the most-favored-nation clause by the United States, nor recognized the arguments of the Polish side. The issue remains on the agenda of the GATT Council. Eventually, it can only be solved in the way of settling disputes between member states provided that Poland as well as the United States consent to arbitration within the framework of a so-called panel of experts. This is not likely to happen.

The issue of the most-favored-nation clause is but a partial problem. The conditions of our GATT membership are the heart of the matter. However, for now there is no answer to this question.

9761
CSO: 2600/294

MINISTER DISCUSSES PRICE INCREASES, LIVING STANDARDS

Warsaw SZTANDAR LUDU in Polish 19 Jan 83 p 2

/Interview with professor Z. Krasinski, minister of the Office of Price Affairs, by Agnieszka Suchecka/

/Text/ /Question/ Mr. Minister, it will soon be a year since the announcement of those drastic and -- so we can say now -- painful price increases. This action was taken in order to bring our economy's supply-demand equation back into balance. The stores were supposed to be fully stocked -- and not just with bread rolls. In the meantime, though, there is no sign of supply-demand equilibrium, and the stores are still haunted by empty shelves. So, the economy is still being pressed by an inflationary curve /excess purchasing power/ which is sharper than it was a year ago and which is now estimated to amount to around 500 billion zlotys.

/Answer/ In spite of everything, there are still fewer empty shelves in the stores. But it is true that we have a long way to go before we bring supply into balance with demand. Over the course of the year the inflationary curve went up by 200 billion zlotys. This is because personal incomes went up in absolute terms beyond all expectations and, what is worse, beyond all standards of affordability. But, still, if it had been possible to maintain the level of wages prevailing at that time (February 1982) coupled with the then prevailing rise in retail trade sector inventories (in spite of declining output, inventories at that time were still growing at a rate of approximately 200 billion zlotys per annum) for a period of two and a half years, somewhere around the latter half of 1984 we would have had a stabilized marketplace which would have been on par with the good years of 1973-1974.

However, the public would not stand for this drastic deterioration in living standards. At the same time, it often happened that the hardest thing of all to withstand was the psychological burden imposed by these price increases. So, this was the origin of the well-known public pressures for higher wages and expanded social services, demands which (and this too comes as no surprise) were hard not to give in to ...

In any event, I really don't know whether the public could have held out for two and a half years. Maybe it could have held out for at least 9 months. Without waxing judgmental about things, one thing is certain. Namely, a lot of money has been injected into the marketplace recently. On credit. Without being backed up by output or material goods.

/Question/ Let's get back to these two and a half years which might have spelled the end of the recession, although this assumption strikes me as being a bit too optimistic. You spoke in somewhat reproachful terms about the impatience and unwillingness of the public to put up with the burden of prices increases the burden of the recession. But is there anybody who likes price increases? Moreover, did not the authorities and you personally have something to do with fostering the emergence of these very same moods? The public has been presented with too rosy a picture of the blessings of price increases.

/Answer/ Fair enough. I myself said that the positive effects of the price increases announced at that time would be visible before the year was out.

/Question/ You referred to the great psychological burden of the recession, but a 26-percent decline in the standard of living is a figure calculated by statisticians who always embark upon such reckonings with a certain amount of aloofness. How did the plans for safeguarding the budgets of the most economically disadvantaged families "come into play" in this situation?

/Answer/ I would guess that the living standards of families in this category declined by 10 percent, while rich people lost out to the tune of 40 percent. I say this while being fully aware of the fact that poorer people have to bear a heavier burden for every price increase. If somebody only has half a loaf of bread to live on a day, cutting off three slices may pose a hardship, whereas somebody who has a whole loaf or two whole loaves will still have a full stomach. And there is one other thing I would like to say. Namely, if the proposals made in the famous "Krasinski pamphlet" calling for a progressive rate of price-increase compensations, as a result of which the most affluent would have received symbolic compensations or none at all, had been accepted, the decline in the living standards of the economically most disadvantaged would have amounted to only 2 percent.

/Question/ So, let's recall why it was that this plan was turned down?

/Answer/ You remember the arguments about how we all have the same stomachs, don't you? And apart from these arguments, considerations of a technical nature carried the day. The Social Security Administration would not have been up to handling this whole operation. This institution did not know what it needed to know on the subject of family incomes. Simply put, it had no need for this kind of information in previous years. The government was simply not in the business of pursuing a selective approach to the distribution of social service benefits. Egalitarianism was the rule in this area. And, so, we skirted the whole issue. I want to stress again that, according to my version of the profram for price-increase compensations, poor people would have lost less. I would be so bold as to say in addition that there would have been less pressure for higher wages. First, on the part of working fathers and mothers with large families to support, and later joined by more affluent groups. And it is after all true that it is this rising flood of money flowing into people's pockets and wallets that is our greatest misfortune.

[Question] Toward the end of last year the rise in personal incomes was especially high, was it not?

[Answer] Of course. Over the course of the last 3 months of 1982 personal incomes went up by as much as 20 percent in relation to the preceding three summer months. It is also true that the output of manufacturing industries, which we can label as consumer goods industries, went up during the last quarter of 1982. However, we payed for every 1-percent increase in this output with a 5-percent increase in wages. This is a very high social price. And here this is happening in the wake of the passage of the economic reform program, whose main canon is that we are supposed to be increasing the cost-effectiveness of industrial production: Under these conditions the bulge in the inflationary curve is bound to be accentuated.

This year there is going to be a shortfall of goods produced worth approximately 345 billion zlotys to offset projected wage and salary increases. I recently heard this situation described as follows: goods have just barely started to trickle off the production lines, and workplaces -- autonomous, self-managing, self-financing workplaces -- have already turned on their money faucets and hydrants. So, the Social Security Administration has turned on its payments faucets full blast.

So, water is pouring in from everywhere, but the minister of prices is standing in the middle of this flood and does not have a table napkin to wipe it up.

[Question] So, what way do you see out of this predicament?

[Answer] Well, of course, you can drag out the mop. But how long can you go on mopping, and what can you expect to accomplish from this? The best thing to do, though, would be to stem the flow. But this is largely up to the workplaces themselves. They should give up their egotistical and narrow view of their own interests and the interests of their employees and take a broader view of our economic situation. Their consciences may not reproach them until they reach the point where their increased output will be outstripped by the higher wages they are paying.

[Question] Do we have a long way to go before we reach this point?

[Answer] Unfortunately, yes. And, to top it all off, we do not even have a suitable national personal incomes policy. Under these circumstances a prices policy is a stopgap policy for want of an incomes policy. At this point the efforts being made by the Office of Prices represent an attempt to adjust to the whimsies and inefficiencies of the levers applied by another policy.

[Question] So, what kind of prices policy will we have this year?

[Answer] The terms of this policy are being set by the targets written into the three-year plan as adjusted by, among other things, the outcome of the

public debate on this plan. Everybody knows that prices are slated to go up by 16 percent (including 6 percent from last year's price increases). Consequently, the maneuvering room which was left to us is very limited. The main idea behind this year's price increases is to improve the ratio between prices and costs. I should point out that this year the Sejm is going to take a very stern approach to the review of subsidy matters. Once every quarter the government, and in particular the minister of finance, will have to give an accounting before the Sejm on these very matters. The first such "confession" will take place as early as February.

[Question] So, what kinds of price increases are in store for us?

[Answer] I could talk about the official, centrally regulated prices which, of course, do not tell the whole story, even though they are the most important. The economic reform program does indeed call for price fluctuations -- upward and downward, prices which will be set by autonomous enterprises. Everybody knows that many producers are abusing this autonomy. Since the beginning of this year so-called amendments to the reform program have been passed that make it less likely that such pricing irregularities will occur. The scope of both official and social price controls is also being expanded. But production costs will be going up, and, hence, so will prices. Raw materials are going to be somewhat more expensive, contributions to the Social Security Administration will go up, and so on and so forth. But, first and foremost, wages are going to go up.

[Question] So, let's talk about the official price increases.

[Answer] I would still like to reassure the public on this score. In principle no provisions have been made for increases in the prices of foodstuffs as long as the procurement prices of farm produce remain stable. Food is already very expensive. Everybody knows that the price of candy has already gone up. It is expected that the price of candy will go up again by approximately 20 percent. It is further expected that the price of fish harvested from deep-sea fishing grounds will go up by approximately 20 percent due to the enormous increase in the costs of these operations. On the other hand, higher prices will go into effect in February for public and private transportation services.

[Question] The details of this operation are already well-known and are giving rise to a lot of controversy both with regard to the extent of these price increases and also with regard to the way in which the public was informed about them.

[Answer] I can only go so far as to say that national and municipal transportation services have been very heavily subsidized by the state, and fares have in fact been set at very low levels.

[Question] What else will cost more?

[Answer] Articles which are rather widely consumed and which have a harmful effect on public health. Articles whose consumption ought to be reduced in absolute terms, i.e., cigarettes and alcohol.

/Question/ Rumors are already circulating that these price increases will be drastic.

/Answer/ Yes, this is a very difficult and sad, but necessary operation. Everybody knows that the present state of affairs in this area has nothing in common with realistic housing costs nor with even the most elementary sense of social justice. The simple fact of the matter is that cooperative housing renters pay much more for a roof over their heads than do renters living in publicly subsidized housing, even though it is true that the latter have been paying higher rents as of 1 May 1981. This issue is all the more sensitive in view of the fact that publicly subsidized housing is occupied by people who are of necessity the least well-off. Nor is it any wonder that cooperative housing renters have been demanding rent increases for public housing for a long time. This applies both to those who already live in cooperative housing projects and to those who are on waiting lists for this kind of housing. It is also expected that the standardization of rents or the gradual raising of rents should contribute to an upsurge in housing swap arrangements, something which would help in a direct way to alleviate current problems associated with what amounts, in spite of everything, to the artificially arranged allocation of housing needs.

/Question/ When can we expect to see the first phase of rent increases for publicly subsidized housing?

/Answer/ Most likely during the latter half of 1983. This is because these matters will first have to be addressed as part of a general public debate.

/Question/ Thank you for granting this interview.

11813
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MINISTERS ASSESS CHEMICAL, LIGHT INDUSTRIES

Reform, Production Results

Warsaw RZECZPOSPOLITA in Polish 27 Dec 82 p 5

[Article by Henryk Borucinski: "A Better Year Does Not Mean a Good One"]

[Text] As a result of the reform of the central management organs, the chemical and light industries became part of a single ministry. In addition to the close coproduction ties that link them, they also have another common characteristic: an enormous dependence on imports.

U.S. restrictions therefore had a particularly serious effect on the plants subordinate to this ministry. We do not need to recall, however, the role played by the chemical industry in supplying the economy with raw and other materials, or the significance of both of these industries in deliveries for the market and for export. Last year, in addition to objective difficulties, problems arose in connection with the implementation of the economic reform. Among other things, it caused an "intellectual ferment," and led to changes in the mentality of management personnel, from the level of foremen to the administration of the ministry.

PAP asked Edward Grzywa, minister of chemical and light industry, to evaluate the production results, the progress of the reform, and the effect of martial law on the work of enterprises this year:

At the end of last year, the country was facing a catastrophe, of which indications appeared in the continually deteriorating operation of the national economy. For obvious reasons, the disturbances also affected the chemical and light industries.

After 13 December last year, tempers began to calm down. An understanding of the seriousness of the situation bore fruit, among other things, in reduced absenteeism, a limitation of fluctuations in the work forces, especially in plants affected by complete or partial militarization, and voluntary additional work on some free Saturdays by the workforce at many plants at which militarization was not instituted, and which constitute a definite majority of the enterprises in the ministry. These calmer working conditions made it possible, among other things, to make essential changes

in management posts, while utilizing forms of competition as objective indicators of the qualifications of candidates for these posts. It also appears that the relaxation of social tensions has to a real degree resulted in creating the conditions for an increasingly broader reactivation of employee self-government activities, an extremely important factor in the life of factories and other work establishments. In the ministry of chemical and light industry, applications for a renewal of self-government activities have thus far been submitted by 504 of the 769 enterprises. Favorable decisions have already been adopted for 425 of these, and about 80 applications are in the process of being evaluated by the voivodship authorities.

If we consider this year, however, we must first of all assess the production results. In this basic matter, the ministry's activities which relied upon the outline of the resources available in the priority supply areas, brought about on the whole a positive result in the form of a considerable increase in production of a definite majority of the products covered by operational programs, including lacquer products, clothing and footwear for adults and tires. The implementation of the operational programs in the first ten months of this year proceeded successfully, with only minor deviations from the foundations established by the plan. For example, the operational program for supplying basic resources for cleanliness and hygiene in the course of this year provides for overfulfilling the tasks set by the central plan for the year, and for a relatively high growth rate in deliveries, in comparison with last year's performance, among other things in the area of detergent, soap, shampoo, shaving cream, and toothpaste.

A small deficiency in relation to the planned targets in this group of products occurred only in liquid dish detergent, as a result of difficulties with supplies from the second payments area [capitalist countries], but even so the level of deliveries of this product is expected to be 13.5 percent higher than in 1981.

Under the operational program for clothing and hosiery products and footwear for children and young people, deliveries of the basic groups of products are also going well, and for the year as a whole, the planned targets are expected to be fully met, with even a certain surplus in comparison with 1981. For example, the surplus in the production of clothing products is 11.8 percent, as compared to 19.7 for hosiery products, 30 percent for stocking products, and 26 percent for footwear in general.

Under the operational program for health supplies, including pharmaceutical and sanitary products and medical equipment, deliveries of pharmaceutical products are expected to be fully met from Polish production; this means a 9.8 percent increase in comparison with the 1981 performance.

There are deficiencies, however, in individual groups of medicines, for instance in analgesic medicines, vitamins, antibiotics, and hormones, as a consequence of difficulties with supplies of raw and other materials imported from the second payments area.

There has been a considerable increase in deliveries of sanitary products in comparison with last year, for example 15.9 percent in cotton wool, 31.9 percent in hygienic bandages, and 43.9 percent in surgical plaster.

In the area of deliveries of mineral fertilizers and insecticides, we are also ending this year with relatively good results. We were able to maintain deliveries of nitrogen fertilizers at last year's level, and we increased the procution of phospherous fertilizers by 6.1 percent. This will permit an increase in applications of fertilizers in agriculture from 186.2 kg/ha in 1981 to 188.9 kg of NPK [nitrogen, phosphorous, potassium] fertilizers per hectare of agricultural land in 1982. Deliveries of insecticides for agriculture in 1982 will considerably exceed the planned targets (by 6.6 percent), and will be 47.3 percent higher than in 1981.

In order to illuminate more fully the question of the footwear supply, which interests everyone, we should make it clear that several activities have been undertaken in order to improve the situation in this area for adults as well. On the basis of the corresponding decisions by the government, the cash funds necessary for purchasing raw and other materials for footwear producers and their coproducers have been secured. Beginning with the second half of this year, continuing work in the tanneries was reinstituted. The footwear producers have been guaranteed full deliveries of raw materials and concrete, specific production tasks have been set for them.

As a result of these activities and supplementary imports of footwear from the socialist countries amounting to 6 million pairs, in spite of a considerable drop in employment in the footwear industry, we have been able to ensure deliveries to the market of leather and synthetic footwear in the second half of this year amounting to a total of 32 million pairs for children, young people, and adults, i.e. at a level higher than the deliveries made during the same period in the course of the last four years. The relatively low level of footwear production for adults in the first half of the year, however, means that the level of deliveries for 1982 as a whole will amount to about 57 million pairs, and will be somewhat lower than deliveries in 1980 (57.5 million pairs), but higher than deliveries in 1979 (53.9 million pairs) and 1981 (55.3 million pairs).

The improvement in the supply of Polish industry with raw and other materials in short supply, and in effect the improved supply of the Polish market with sought-after light industry products, were also influenced by the service manufacturing carried out for the Soviet Union. The raw and other materials supplied by the Soviet partner, such as cotton, wool, hides, synthetic fibers, viscose cellulose, etc., were used for production valued at 248.6 million rubles. According to the initial agreements, 15 percent of the value of the production was to remain in Poland. In view of our difficult market situation, however, we and our Soviet partners agreed that 50 percent of the goods produced would remain in Poland. As a result of this, in this transaction 4 million pairs of shoes and clothing, hosiery, and textile products worth about 9 billion zlotys in retail prices will be left for supplying the Polish market. Thus, on the whole, this year we obtained results that were poorer than in the years of our best achievements, but

they turned out to be better than would have been expected from the so-called objective conditions. It is significant that we are already entering 1983 with a somewhat better raw materials base.

Importance of Chemical Industry

Warsaw EXPRESS WIECZORNY in Polish 21 Dec 82 p 3

[Interview with Marian Skowerski, deputy minister of chemical and light industry, by Slawomir Osa-Ostrowski: "One of the Ways Out of the Crisis Is Through the Cheimcal Industry"; date and place of interview not specified]

[Text] [Question] The ministry in which you are part of the administration is sort of overlooked when people talk about a way out of the crisis. It seems that everything depends on agriculture, the processing industry, the machinery industry, etc. In reality the chemical industry plays a role today that is to some extent a key one for the economy.

[Answer] I think that you can say so. The chemical industry provides both raw materials and finished products to the sectors of the national economy on which society's standard of living depends.

[Question] For example, agriculture expects the chemical industry to provide it with artificial fertilizers, insecticides, and various food additives. Transportation has to have tires. The machinery industry needs parts made from plastics, lubricants, and oils. The construction industry needs paints, lacquers, floor coverings...

[Answer] It really would be difficult to name any branch or subsector of industry that could manage without the products of the chemical industry. The chemical industry is one of the major factors in the development of the national economy and civilization.

Outlays Are Declining: From 41 to 18 Billion

[Question] It is known that in order for the economy to function normally, the growth rate of the chemical industry has to exceed by 1.5 or 2 times the growth rate for industry as a whole. That is the way it was in the 1970's. What is it like now?

[Answer] These ratios are better in the highly developed capitalist countries, as well as in our neighbors, than in Poland. In the United States, for example, the growth rate for the chemical industry was twice as high as the rate for industry as a whole. In Poland this indicator is at the same level, and in relation to industry as a whole the ratio is 1:1.

Recently outlays utilized for the development of the chemical industry have been considerably reduced. In 1977 they amounted to 41 billion zlotys, and in 1981 they only amounted to 18 billion zlotys.

A Large Jump Is Still Ahead of Us

[Question] I think that in 1972 the administration of the ministry at that time presented to the authorities a "Program for the Application of Chemicals in the National Economy Until 1990", which envisaged as much as a tenfold increase in manufacturing capacity between 1970 and 1990...

[Answer] The program foresaw a harmonious development of the individual branches of the chemical industry; thus, it would have been possible to keep pace with the needs of other subsectors of the national economy.

[Question] The adoption of the program was not accompanied by the provision of funds for the development of the chemical industry. Many construction projects were begun that required supplementary investments. In the course of time it turned out that there were no funds for those additional installations.

[Answer] In the program's targets, we had to rely on Polish raw materials and products from those plants which did not have enough money for construction. In order to maintain the principal investments, it was thus often necessary to import basic raw materials and components.

[Question] The question is still important when we consider large investments nearing completion. For example, the production of polyvinyl chloride in Wroclaw, which will begin next year, requires various additional resources. The antibiotics factory in Tarchomin is also supposed to be equipped through auxiliary investments. These are problems that still have to be resolved.

Gasoline Is Not Sugar

[Question] In per-capita crude oil refining, Poland is in last place among the socialist countries. Last year state control over fuels was instituted, and there is no indication that it might be abolished in the near future. Will the situation with gasoline be the same as with sugar, the rationing of which--which was at first a temporary measure--has continued for five years now?

[Answer] Using per-capita crude oil refining as an indicator seems to me to be misleading. Countries that do not have any coal consume large amounts of crude oil for energy purposes. Their oil refining thus really is at a high level.

I would be very satisfied if I could say that the situation with gasoline would be the same as with sugar. With good sugar beet harvests, we have a chance of producing enough sugar to permit abolishing the state control. I believe that sugar will be sold freely in the immediate future.

[Question] And gasoline? Everything depends on whether we can find more goods for export, which would make it possible for us to purchase a larger amount of crude oil.

Rubber Boots: 30 Million Pairs

[Question] An indirect but essential role in the program for feeding the people is played by the production of artificial fertilizers, tires, fuels, etc.,--in short, by the chemical industry. Without it we cannot even think of increased productivity in agriculture.

[Answer] Artificial fertilizers are generally manufactured in Poland, but the raw materials for producing them come entirely from imports.

To produce phosphorous fertilizers, we have to import phosphorites, at $45 a ton. We really manufacture nitrogen fertilizers "from the air", but imported methane is necessary to produce them. We import potassium fertilizers "ready-made".

As the producer, we are aware that fertilizers are an important factor in increasing harvests, and therefore, in spite of the payments difficulties, we always maintain their production at more or less the same level.

[Question] Next year, we are aiming at a considerable increase in the production of tires, rubber boots, and textile-rubber boots of various types. I think that we are planning on producing about 30 million pairs of boots, i.e., about 8 million more than this year.

[Answer] We are aware that the chemical industry has a great deal of influence on the size of yields, and therefore we must and will increase production in those subsectors which are working for the benefit of agriculture.

[Question] Thank you for the interview.

9909
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SOCIOECONOMIC PLAN FOR 1985, ASSUMPTIONS TO 1990 PUBLISHED

Warsaw RZECZPOSPOLITA in Polish 2 Dec 82 pp 5-7

[Article: "Results of Public Survey on 'Variants in the National Socioeconomic Plan Concept to 1985 and Preliminary Agenda for the Years 1986-1990'"]

> [Text] 2 Aug 1982--the cabinet accepted the draft of a document submitted by the cabinet's Planning Commission entitled "Variants in the Concept of the National Socioeconomic Plan up to 1985 and the Preliminary Agenda for the Years 1986-1990."
>
> In a substantial way these variants are linked to the "government's program for overcoming the crisis and stabilizing the national economy," and determine their development as applied to the present state of affairs.

In keeping with the statute on socioeconomic planning of 26 Feb 1982 "Variants in the concept..." introduced for public discussion.

16-22 Aug 1982--RZECZPOSPOLITA and ZYCIE GOSPODARCZE released a summary of the document with a total publication of approximately 210,000 copies.

18 Aug 1982--the cabinet president sent a full text of the document to the president of the Sejm of the Polish People's Republic [PRL]:

A public survey on the above-mentioned documents was conducted in four principal forms as follows:

1. Opinions from the Polish United Workers Party [PZPR], political parties and youth organizations. Opinions were sent by seven committees on problems of the Central Committee of the Polish United Workers Party [KC PZPR], including the Committee on Economic Reform and Economic Policy. The Central Committee and the provincial committees of the Polish United Workers Party conducted a broad survey campaign through its readers in the echelons and party organizations of approximately 1000 employment plants. On 27 and 28 October of this year, the 10th Plenum of the Central Committee of the Polish United Workers Party examined the crucial socioeconomic problems of the next 3 years. The opinions received at the

meetings of their supreme organs were also forwarded by: the Supreme Committee of the United Peasants Party, as well as the Central Committee of the Democratic Party. Opinions were likewise received from the steering committee of the head office of the Polish Socialist Youth Union.

2. Opinions from the social and governing, advisory and consulting organs, scientific institutions, as well as social and professional organizations. Their appraisals of the variable concept of the plan were presented by: the Socioeconomic Council of the Polish People's Republic's Sejm, the Economic Consulting Council representing the president of the cabinet, the Polish Academy of Sciences, the Economic Council on Food, the Council on Family Matters, National Defense Council, the Central Union Council of the Housing Construction Cooperative, the National Council of Polish Women, the Main Technological Organization, the Polish Economic Society, the Society of Polish Town Planners, and the Polish Scouting Union.

3. Opinions from employment plants. By 15 October, 76 plants sent such opinions, that is over 62 percent of 121 plants to whom documents for appraisal had been sent.

4. Gathering of private opinions from citizens and various circles. For this purpose a study of public opinion was conducted by the Research Center on Public Opinion and Planned Studies of the Committee on Radio and Television Matters [OBOP and SP]. This study can be recognized as representative of the opinion of the adult Polish population (over 15 years of age). It is based on replies to questionnaires completed by approximately 1000 persons, drawn by lot in conformity with methods of representative research.

A source of private opinions was likewise provided by mass media discussion comprising a series of statements on the radio and television, as well as 95 articles and items of discussion published up to 25 October in the central press.

In the study under discussion--in compliance with Article 22, Statute 2 on socioeconomic planning--the results of one public survey are presented in synthesis, as well as the means proposed for their consideration in the draft of the 3-year plan, which will be prepared in the 4th quarter of 1982.

["Selection of Social Goals"]

The principal social goals and the directions of social policy which were proposed for survey in the plan concept submitted, met with approval. In many statements emphasis was placed on their general agreement with the resolution of the ninth Special Assembly of the Polish United Workers Party. Both the Polish United Workers Party, as well as the United Peasants Party [ZSL] and the Democratic Party [SD] declared themselves in favor of them. As a general rule, advisory organs, scientific institutions, as well as social and professional organizations likewise supported the social goals proposed. The first two goals (food and housing construction) received the widest approval and no reservations were advanced regarding them.

Within the framework of public opinion studies, 82 percent of the population polled regarded the first 3 social goals of the plan as proper, but 59 percent of the population polled regarded food as the most important goal. As to the third goal proposed--the protection of that group of people which finds itself in most difficult of material conditions--certain differences in opinion were expressed especially among employment plants. Part of them places this goal as uppermost--even ahead of food and housing construction; on the other hand, part of them push it aside into the background.

In some opinions it was proposed that, insofar as possible, the basic goals for the protection of health or the protection of the environment be fulfilled. The protection of health generally achieved a higher rating than assumed; as a consequence, the National Council on Environmental Conservation pointed out the close relationship occurring between the protection of health, the condition of the environment and the quality of food, especially for children and young people.

As for environmental conservation, the central institutes on the whole, declared themselves in favor of assigning high priority to this goal, whereas a lower priority was assigned to it, mostly by the employment plants, while the poll respondents revealed very limited interest. In a question intended for poll respondents regarding the most important social goal, only 2 percent of the poll respondents assigned priority to environmental protection.

The public survey on the other hand, demonstrated that aside from such essential goa as food and housing, special attention should be directed to solving the problem of supplying the people of the country with the conventional products of light industry (such as clothing and shoes).

There were few opinions during the course of the survey questioning the proposed social goals. For example, the Chief Technological Organization advised that resistance is mounting against intentions of decreasing the demand for meat by annual increases in the price of meat, as well as the quantity of meat allowed for individual consumption in 1985 on an annual basis of 54 kilograms per person, and approximately 60 kilograms in 1990.

However, there were widespread requests for consideration in the conflicting material state of affairs in the wage policy of particular population groups, especially the agricultural population and workers of socialized economy. Criticism was directed to the omission of this problem in the document provided for the survey.

Proposal 1. Upon considering the results of the survey, the Planning Committee proposes:

a. Acceptance of social goals adopted in the document as the basis for preparing the draft of the 3-year plan.

b. Addition--consistent with the Resolution of the 10th Plenum of the Central Committee of the Polish United Workers Party [KC PZPR]--to priority goals of the plan of an additional supply to the population of industrial goods indispensable for everyday living, especially the conventional products of light industry. This problem will be dealt within detail in the 3-year draft.

c. Initiate an attempt within the framework of the 3-year plan to provide a deeper analysis of the material state of affairs of individual population groups together with the fundamentals concerning the conflicting wage policy pertaining to them, expressing the socialist principles of division and in particular the principle "to everyone according to the quantity and quality of work," which means preference for those who create material values and in particular for the working class.

["Selection of Variants"]

In the document intended for the public opinion survey, variants comprise the basic problems of the plan discussed below. Results of the survey are presented as follows.

["Macroplan Variants"]

The first problem concerns the selection of one of three proposed variants of the fundamental indicators of socioeconomic development (macroproportional, so-called). The vast majority of those engaged in the survey favored adoption of the second variant as a basis for building the 3-year plan, that is, in conformity with the proposition of the Planning Committee. It is characterized by reasonable indicators of development, accompanied by average successful internal and external determinants.

This variant received the approval of the Socioeconomic Council of the Polish People's Republic's Sejm, parties and political parties, a majority of the advisory organs, as well as the social organizations and also 55 percent of the plants that forwarded their opinions.

The opinion regarding the necessity for realistic planning was clearly predominant. Among other things, 78 percent of the poll respondents favored realistic planning, while only 10 percent supported very ambitious planning. The survey confirmed that the argument has further fundamental significance in that the preparation of the 3-year plan and its effective implementation depends on the gradual normalization of the political state of affairs in the country and men's attitudes. Prof M. Nasilowski, among others, stressed strongly the dependence between the reality of the plan and social attitudes.

In some opinions it was likewise stressed that besides the basic variant of the plan, the concept of performance should be prepared in case of a less profitable course of economic events and greater deviations from the established circumstances of management. This especially arises from a significant level of uncertainty in the area of the status of the national

balance of payments, cooperative supplies, as well as the market and agricultural status. Among other things, the Advisory Economic Council offered a suggestion for this manner of action, demanding the preparation of the so-called damage variant of the plan on the basis of verified Variant I.

The Planning Committee regards this concept as valid, and in conjunction with this, undertook preparations for the initiation of planning techniques that permit conformity to the economy and a determination of solutions to economic problems under conditions of a different than anticipated development of phenomena in some fields. A study is being made of the scenarios of function, as well as essential changes in the structure of the creation and division of national income, the outcome of which would be the creation of conditions for adaptation and work of the economy in altered circumstances.

Surveys indicated that the reality of Variant III is dependent on the successful solution of a series of problems, the most important of which concerns changes in public attitude towards work. In connection with this, emphasis was placed on the necessity for creating, in practice, a respect for work and the higher culture of work. Without this it is not possible to solve the problem of growth in production and higher discipline of work, and it is not rationally possible to utilize realized labor resources, qualifications and experience of personnel.

In conjunction with this, the Planning Committee intends to prepare suggestions for action in the economic policy whose implementation would favor the attainment of goals assumed in Variant III.

Proposal 2. Consistent with the results of the survey, the Planning Committee proposes the acceptance of Variant II in principle as the basis for constructing the 3-year plan, and simultaneously the preparation of scenarios for proceeding, and the variants for solutions to the plan in case of less profitable determinants assumed by management. This requires the acceptance of a verified concept of Variant I in the preparation of methods for proceeding under conditions of an unfavorable course of economic experiences, and at the same time--in case a more favorable state of affairs arises, for directing economic policy toward the most favorable disposition of all prospects for approaching the goals of Variant III.

["Allocation Ratios of National Income for Consumption and Investment"]

From among the three variants presented on the division of national income for consumption and investment, a majority of the survey poll respondents regarded as most valid subvariant "a" designated as the subvariant "protection of consumption," that is, consistent with the proposal of the Committee on Planning adopted in the plan concept.

All political organizations supported this subvariant. A similar position was adopted by the Polish Academy of Sciences, the National Council of Polish Women, as well as advisory organs. Altogether approximately 50 percent of the plants that forwarded opinions approved this subvariant, or did not express any reservation regarding it; whereas only 6 percent supported the subvariant favoring investments.

In the public opinion studies, the need for increased consumption gained a distinct priority (67 percent of those polled). Only 23 percent of those polled expressed a preference for investments.

However, one must likewise realize that a further decline in the level of investing is possible, but it leads directly to limitation on production capabilities of the economy and undercapitalization of the elements of the social and technological infrastructure, reduces the prospects for providing basic vital communal educational and cultural services. In effect, by reducing investments, we not only deprive ourselves of the likelihood of production development over the long term, but what should be emphasized, we will not even gain a current realistic growth in consumption.

Already in 1982, in 10 subsectors of industry, investment outlays were lower than the amortized value of existing fixed assets and hence did not cover reconstruction needs.

At the same time, the present structure of our economy fashioned under the influence of a strong development of production facilities for the production of investment resources, does not tolerate its transposition in a short time. This would indicate the unavailability of these facilities in the approaching years.

Proposal 3. In conformity with the results of the public opinion survey, the Planning Committee proposes the allocation of national income for consumption and investment as a basis for acceptance in the 3-year plan presented in the document subvariant "a", that is, "protection of consumption" with the assumption that the amount of total outlays for investment in the national economy should be maintained for the years 1983-1985 on at least the 1982 level, but for the years 1984-1985, it should be greater insofar as possible than that level.

In deciding on the protection of consumption in the 3-year plan, the post-1985 period will require better scrutinization of the needs to increase investments to avoid undercapitalization of assets, as well as of the increase in the technological gap between Poland and countries more highly developed than it.

["Allocation Ratios of Consumption Into Private and Collective"]

The three variants presented for selection on the allocation of consumption for private and collective consumption met with a difference of opinion during the course of the survey. The political organizations declared in favor of very uniform growth in private and collective consumption, that is, in favor of subvariant "c". However, in the employment plants during the course of the survey, a majority of organizations and party echelons expressed a preference for private consumption.

Similarly in the public opinion studies, a preference for private consumption prevailed in the voting place, even at the expense of collective consumption. Approximately 53 percent of the poll respondents regarded an increase in private income, that is wages, retirement and pensions as more urgent than an increase in funds for improvement in the services of such fields as medical care, education, culture and rest. Only 39 percent of the poll respondents regarded an increase of funds for the sociocultural spheres mentioned as more urgent.

Growth in collective consumption for the years 1983-1985 proposed by the Planning Committee already takes into account the decisions adopted by the Sejm, as well as by the government regarding a considerable increase in budget expenditures for sociocultural goals and therefore, for health, education and culture. Further decisions concerning an increase in these expenditures were already adopted after a review of the variational concept of the plan.

This high level of collective consumption and social expenditures is to a large extent the result of the implementation of social understandings signed during the years 1980 and 1981, which being transacted under political pressure did not provide for economic realities and did not take into consideration prospects for implementation. A country under circumstances of deep crisis cannot adopt a social program without immediate and long-term effects in the form of arousing inflationary phenomena and a general reduction in the activities of factors stimulating growth in the output of labor.

Emphasis on an increase for social expenditures was likewise employed by the opposition as an element for struggle with the authorities.

Results of the survey must undergo critical review from the point of view of actual economic opportunities, as well as the reality and reliability of the implementation of the social understandings signed and passed.

Proposal 4. In 1983, considering the effects of decisions already adopted on increasing expenditures for collective consumption, it is proposed that a very steady increase in private and collective consumption be accepted, that is, subvariant "c". It is likewise proposed that even in 1983, and especially in the years 1984-1985, efforts be made to strengthen the preference for private consumption.

In that case, the ratio between private and collective consumption during the entire 3-year period would most likely be fashioned according to subvariant "c", with the understanding that the spread between private and collective consumption will decrease to the advantage of private consumption in relation to the hitherto proposed subvariant "c".

Whereas for the 5-year period 1986-1990, in conformity with the results of the survey, the acceptance of a preference for private consumption is being proposed, that is, subvariant "a", and not for the previously proposed subvariant "c", which anticipated a more steady increase in expenditures for private and collective consumption.

["Allocation Ratios of National Budget Outlays for Sociocultural Purposes"]

Of the three subvariants for distribution of budget outlays, the subvariant favoring protection of health met with general approval.

The subvariant establishing priority in budget outlays for health and culture gained the support of political organizations, as well as a majority of the advisory organs.

Studies of public opinion survey polls verified high priority for the preservation of health. At the same time they disclosed that education stands in second place and culture third. Thus, in the current budget outlays for sociocultural purposes, in the light of results from discussions, the hierarchy of purposes appears as follows: 1. health, 2. education, 3. culture.

The established level of budget outlays does not relieve one from the necessity of intensive efforts in the attainment of far-reaching thrift in the outlay of budget funds, especially by reducing employment in administration and revision of hitherto existing operational procedures from the point of view of simplification and better service for the citizenry.

Proposal 5. Upon considering the results of the survey, the Planning Committee proposes as a foundation for the construction of the 3-year plan the adoption of the newly modified subvariant for budget outlays, based on the assumption of preferring health, a liberal educational system, as well as culture, but not the subvariant of preference for health and culture hitherto proposed (that is, prior subvariant "c").

In accordance with this, in the framework of subvariant "c", there is a proposal to increase current outlays for the liberal educational system (to be increased by 27-28 percent as compared with a prior proposal of 25 percent), at the expense of outlays for tourism and rest, as well as physical culture and sports by maintaining outlays thus far proposed for health and culture. The numerical proposals for changes are presented in the appendix.

["Allocation Ratios of Investment Outlays for Principal Complexes and Subsectors"]

Of the three variants for appropriating investment outlays which were presented for selection, the majority of poll respondents regarded subvariant "b" as most valid, that is the "social," so-called. It was acknowledged that this subvariant, to the utmost degree satisfies the investment needs of two especially preferred aspects, namely food and lodging.

Among others, the Committee on Economic Reform and Economic Policy from the Central Committee of the Polish United Workers Party declared itself in favor of accepting subvariant "b", that is the social, so-called. Whereas the Chief Committee of the United Peasant's Party [NK ZSL] and the

Agricultural Committee of the Polish United Workers Party Central Committee declared itself in favor of appropriating 30 percent of total investment outlays to the food complex.

The proposal (in subvariant "b"), for the appropriation of 28 percent of total investment outlays for the food complex met with a series of critical observations; whereas in the resolution of the Polish United Workers Party Political Bureau and the United Peasant's Party Chief Committee of January 1981, it was announced that 30 percent of total outlays in the national economy would be appropriated for this purpose. Among numerous opinions on this subject, it is especially necessary to turn attention to the voice of Prof R. Manteuffel, who questions the prospects of attaining established growth in agricultural production with the proposed flow of resources into agriculture, especially investment. However, it should be emphasized that since January 1981, essential changes occurred in the investment system which are a direct consequence of economic reform.

Under circumstances of reform, a determination by the state of accurate ratios in the distribution of total investment outlays for particular complexes can be accomplished only with reference to central and provincial investments. Investments derived from personal resources of the population and enterprise will be above all the function of the amount of resources accumulated for this purpose in these economic subjects. Therefore, distribution as proposed in the plan concept of the total amount of outlays in the scale of the entire national economy for particular complexes should be treated as some type of hypothesis and estimate.

In conjunction with this, the practice of determining the proportional allocation of outlays for particular complexes will be verified according to the new principles of the investment system.

The proposal to allocate 11.5 percent of total outlay to the fuel-energy complex also provoked a series of critical comments, especially from the industrial community. A request was made for maintenance of hard-coal mining on at least the current level, which would require a higher level of investment. Also, significantly higher than assumed costs in the building of units already implemented, are calling for increased outlays for the fuel-energy economy, as for example the Fuel-Energy Works at Belchatow.

Demands for increased allocation of outlays for subsectors or complexes not included in the proposed priorities were announced by among others, the National Council on Environmental Protection, which called for the allocation of approximately 5.0 percent of total outlays for environmental protection instead of 2.3 percent; the Office of Marine Management called for a level of outlay twice as high as proposed, as well as other groups representing transportation, and a series of the subsectors of the manufacturing industry, etc.

These requests cannot be resolved within the framework of actual national investment capabilities, inasmuch as the requested possible increase of investments in the food economy requires internal shifts; that is, further limitation on allocations to subsectors and spheres not subject to priority. This increases objectively, assuming the danger of undercapitalizing productive assets in some subsectors.

Proposal 6. Drawing on suggestions from the public opinion survey, the Planning Committee proposes:

a. Acceptance, in accordance with the resolution of the 10th Plenum of the Central Committee of the Polish United Workers Party, that the attainment of ratios established in the resolution of the 9th Assembly for outlays in specific fields of the national economy will be possible over the longer term, by 1985 at the earliest.

b. Consistent with this--gradually to increase the allocation of outlays in the food complex to 30 percent of total outlay in the economy, in the current 5-year period now, but by 1985 at the latest. In investment policy and delivery of the means of production for agriculture, regard as essential the concentration on those aspects that will favor the enhancement of production; that is, on the means for protecting plant life, fertilizer, land reclamation and supplying of villages with water, as well as on conservation and processing.

c. A further increase in the current 5-year period, by 1985 at the latest, in the allocation of outlays for the fuel-energy complex to 14.5 percent of total outlays in the economy; simultaneously stressing that one-third of those outlays serve to supply newly constructed housing with heat. This signifies that in reality, more than 30 percent of total outlays is allocated for purposes related to the development of the housing economy. An increase in outlays for the fuel-energy complex partially militates against numerous demands expressed in this matter, among others, by Prof K. Kopecki.

d. Adequately decrease allocations during the 3-year period of 1983-1985:--to the manufacturing industry not included in the complexes, from 0.2 percent of total investment outlays in the economy originally, to 8.5 percent presently;

--to construction (excluding housing) adequately from 2.3 percent originally to 1.2 percent presently;

--to tourism, physical culture, sporting and the remaining divisions of non-material production (publishers, film producers) adequately, jointly from 1.3 percent originally to 0.8 percent presently, while maintaining the previously proposed allocations for education, health and culture. A numerical proposal for changes is presented in the appendix.

e. Separate outlays, in the draft of the 3-year plan within the framework of the above mentioned complexes, into central investments and investments for the provinces obtained from central subsidy, where the amount of investments will be directly specified by the state from the remaining investments with which the state will manage with the aid of indirect means (credit, instruments of financial policy and the like).

["Allocation Ratios in Investment Outlays for Environmental Protection"]

Of the three subvariants presented, the allocation of investment outlays designated for environmental protection subvariant "b" gained the most support, establishing a reasonable priority for water protection; that is, in keeping with the proposal of the Planning Committee adopted in the plan concept, although it was emphasized (among others, by the Chief Technological Association) that it is difficult to express an opinion on this topic in view of the lack of an appraisal of effects on the environment in accepting one of these variants.

In the public opinion survey, 48 percent of the poll respondents regarded the results of water pollution as more harmful, requiring fast action on the part of the state, than air pollution and gas pollution of the air (41 percent).

Proposal 7. Upon taking into consideration the results of the survey, the Planning Committee proposes the adoption as a basis for construction of the 3-year plan, a reasonable priority for water protection; that is, subvariant "b", simultaneously increasing the allocation of outlays for water protection in relation to the level heretofore proposed. Numerical proposals for changes are presented in the appendix.

["Allocation Ratios of Central Subsidy for Provincial Investment"]

In this matter, only a few opinions were introduced and exceptions were confined to the opinion of the Town Planners Association which indeed, with reservations, accepts the selection of the variant proposed by the Planning Commission.

In the public opinion survey, opinions were almost evenly divided. Forty-five percent of the polled respondents declared themselves in favor of increasing funds for the provinces with the greatest needs, even at the expense of the remainder. Forty-six percent declared in favor of a more uniform allocation of funds for all provinces.

During the period of time leading to 1985, from a standpoint of the general economic determinants in the economy, one cannot anticipate perceptible progress in decreasing unfounded interprovincial differences in providing for the technological and social infrastructure. Therefore, differentiation in the allocation of central subsidy cannot be large and will be a considerable degree be bound to the various states of advancement in the implementation of investments already initiated, which should be ended as quickly as possible.

Therefore, it is proposed that the assignment of priority to selected agglomerates and provinces be adopted as a basis for the 3-year plan, which is consistent with the Planning Commission proposal.

["The Problem of Work on Free Saturdays"]

One of the most debated and controversial problems encountered in the survey was the proposal for temporary introduction of work on free Saturdays. The greater portion of the participants in the public survey declared against a

legal or compulsory obligation to work on free Saturdays. A negative position was assumed by among others, the Polish Women's Council and also advisory organs and associations. Seventy percent of the employment plants expressed themselves against the introduction of work on free Saturdays.

In the public opinion survey, 34 percent of the poll respondents displayed a disinclination to starting work on free Saturdays under any conditions whatsoever. On the other hand, 46 percent of the poll respondents accepted work on free Saturdays in a moderate way, subject to the condition of submitting this issue to the individual decisions of employment plants, especially of their labor self-government, and to additional payment for this work according to principles adopted for work on free days.

During the debate it was generally found that the basic meaning implies a rational organization of work and full utilization of the nominal time fund for work during the course of a 5-day week (from Monday to Friday)--this means full utilization of the actual binding standard for working time. Where the continuing utilization of productive capabilities is possible and advisable, the introduction of a system was requested in which personnel works 5 days, but the plant operates on a 6-day basis. However, because the initiation of such a system also depends on other circumstances and requires certain time, the problem of utilizing the free Saturday in those enterprises possessing raw material capabilities is still present.

This is why the government, in conformity with the "governmental program passed by the 9th Assembly for overcoming the crisis and stabilizing the national economy," supports its position as to the usefulness of work on free Saturdays in all those instances when the material, technological and organizational circumstances essential to this end exist. A return of the 2nd and 3rd work shifts is likewise desired. This could constitute an important way to solve the present crisis quickly.

Proposal 8. Taking into account the results of the survey, the Planning Committee on the other hand, proposes to acknowledge that:

With the adoption of a decision in this matter it is necessary to be guided by--in compliance with the 10th Plenum resolution--the following principles:

It is necessary, above all, to fully utilize the working time presently in force.

Work on free Saturdays should take place only in those plants which have an adequate supply of raw material.

Decisions to undertake work on free Saturdays should be made by enterprises.

Adequately attractive provisions for rewarding free Saturday work should be created in employment plants.

2. To assure control of production performed on free Saturdays, it is imperative to centrally ascertain in the Central Annual Plan [CPR] for 1983, in which of the fields and plants free Saturday work can and should be implemented. Central control of production on free Saturdays stems from the necessity to guarantee suitable provisions for cooperation, especially in the manufacturing industry. For, otherwise, work in a certain plant could lead to an excessive increase in supplies and wages, and contribute nothing to the actual growth of final production for the market and for export. This should pertain, above all, to all those types of production whose increases will contribute to the alleviation of bottlenecks emerging in supply and cooperation, and particularly in production for market and export needs.

3. In Variant I and II of the 3-year plan, concerning which there is talk above, additional production should not be assumed by virtue of expanding work on free Saturdays in manufacturing industries which do not presently work on free Saturdays until the matter is clarified. Whereas in Variant III, the volume of conceivable production by virtue of this should be determined by estimate. In the mining of hard coal, the preservation of means and incentives hitherto employed for Saturday work should be assumed in all variants.

["Opinions on Proposed Courses of Economic Policy"]

In the "Variants," the chief fundamentals were introduced concerning fields of economic policy indicated below. Results of the survey in this area are presented as follows:

["Policy for Balancing the Market"]

An essential element in the concept of the 3-year plan is eagerness to solve the state of market imbalance in the shortest time possible. For it is acknowledged that market conditions currently existing have an influence on life's burdens in a decisive manner, shatters the motivation system, encites speculation, as well as manifestations of inordinate enrichment at the expense of the working class, and by the same token reacts negatively on the political climate and social attitudes.

In the survey, the issue of market conditions next to work on free Saturdays, ranked among the most controversial problems.

The return of market balance, as it is well known, depends on many different factors; as for instance, on increased production, income policy, prices, taxes. During the survey, attention was chiefly concentrated on the problem of price fluctuations. The established increase in retail prices met with rather broad criticism, as did the concept of balancing the market, in large measure also with the aid of increased prices. In the plan concept, it was acknowledged that a balanced market is possible by 1985, subject to the attainment of established growth in production and supplies for the market, and at the same time, the achievement of price increases jointly, at a rate of approximately 65 percent during the course of 3 years, to be

accompanied by an increase in personal income at a similar rate. The increase in this income, to a large extent, is the consequence of decisions already adopted or announced regarding wage increases and social services, or already revised mechanisms for adjusting the wage fund within the framework of reform.

The established rate of price increases was broadly criticized during the course of the survey. In the public opinion study, 49 percent of the poll respondents declared in favor of a freeze on prices and wages which is hardly feasible, but only 27 percent agreed to an increase in prices, to be made up, however, by an increase in wages. In sum, therefore, a great reluctance was expressed towards utilizing price increases as an instrument for balancing the market.

This issue has a fundamental significance, because it concerns the essence of the concept of overcoming the crisis. For a limitation on price increases without adequate limitation on an increase in personal income would be tantamount to a retreat, at this point in time, from balancing the market with all the unfavorable accompanying consequences, such as a survival of overhanging inflation; the necessity of applying broad regulations; possible augmentation of speculation; and impairment of the motivation system. This would signify, in essence, the acceptance of a 3-year plan concept somewhat different from that presented; in the meanwhile further support of market imbalance is regarded as impossible.

The Planning Committee's position is such that during the course of the next 3 years it cannot and should not abandon an increase in retail prices as as instrument for balancing the market.

However, considering opinions expressed during the course of the survey, the following is proposed:

a. Exploration of all possibilities for limiting the established rate of price escalation, and likewise of additional possibilities for an increase in the supply of goods and services.

b. Concentration of price increases on such assortments and groups of products where the price increase would have little possible effect on lower and middle income groups of people.

c. Intensification of anti-inflation efforts, as well as the struggle with speculation, unjust enrichment, and preying on the crisis. The state will defend the interests of direct producers, and especially the workingman and social groups concerning the decisive significance of emerging from the crisis and consolidating the socialist social systems.

Proposal 9. Drawing conclusions from the survey, the Planning Committee proposes:

1. Acceptance of an additional variant for improvement of market conditions as a basis for the 3-year plan, with a reduced rate of increase in prices from approximately 65 percent to 46-50 percent, as per initial

estimates. In 1983, in compliance with the resolution of the 10th Plenum of the Polish United Workers Party Central Committee, it is proposed that necessary increases in official prices be limited to a minimum, especially for basic food-stuffs. However, this will require adequate reduction in the rate of increase previously established for personal income during the 3-year period.

2. Concentration, in conformity with the proposals of the Economic Survey Council on price increases for such assortments and groups of goods and services, where a price increase would be least felt by low and middle income groups of people. This requires the setting of higher prices on all articles of higher standard and articles of higher need, and the like.

Numerical proposals for changes are presented in the appendix.

["Investment Policy"]

In many of the statements and opinions during the course of the survey, there was concern expressed regarding the assurance of a sufficient foundation for national economic development in the future and warnings issued against further limitations on investment outlays. For this could bring about a prolonged undercapitalization of assets and also repress technological development in a series of fields. Therefore, the opinion was likewise advanced, that--even if this will not be possible in the next 3 years--then subsequent to 1985 adequately higher and reasonably established amounts of investments should be assumed, guaranteeing a normal reproduction of assets.

The main stream of investment policy subsequent to 1985 should be the recreation of production facilities of existing assets, in conjunction with their modernization and adaptation to the present needs of the economy and demands of technological progress. This requires a complex solution to the problem of modernization and repairs by creating an adequately capable repair base using modern techniques.

Regarding the amount of investing in the immediate years, it should be stressed that a further factor limiting freedom to maneuver is a trend, emerging from verification of cost estimates conducted in September of this year of investments already implemented, toward a considerable increase in the cost estimate value of a series of investment commitments in the course of their implementation (among others, as a consequence of expanding the scope and higher cost of implementation). This makes necessary the outlay of considerably larger resources, to complete investments already begun.

Proposal 10. In connection with this, the Planning Committee proposes:

a. In view of the state of affairs introduced above, conduct further limitation in 1983 on the number of central investments implemented, and review further the implementation of provincial investments from the point of view of further concentration of the investment front.

b. Refrain from implementation of those larger investment commitments in central and provincial investments until 1985, with the exception of those whose implementation cannot be deferred without harming the accomplishment of the entire plan concept.

["Policy on Air and Development of Provinces"]

During the course of the survey, no one questioned the manner of developing air control as proposed in the "Variants" nor efforts on behalf of protecting the natural environment. The general strategy for efforts on behalf of environmental protection proposed in the "Variants," and depending on the concentration of resources on areas most threatened, that is, Slask and Wybrzeze, including simultaneous intensification of efforts toward deterring further air pollution in regions not yet affected by it to this time, generally met with positive opinions and approval.

However, the National Council on Environmental Protection stated that the concept did not adequately develop the problematical need for water control.

If one considers the policy on provincial development, it was in the resolution of the 10th Plenum of the Polish United Workers Party Central Committee that attention was focused on the necessity for assuring the macroregion, and especially its social-technological infrastructure, a very harmonious development.

Proposal 11. In compliance with results of the public survey, the Planning Committee anticipates a study of additional variant activities for the benefit of environmental protection, as well as broader and separate studies of the problems in water control in the draft of the 3-year plan.

Proposal 12. In accordance with the resolution of the 10th Plenum of the Polish United Workers Party Central Committee, it is proposed that efforts be undertaken on behalf of a more harmonious development of the coastal macroregion.

["Foreign Trade Policy"]

The general proposition incorporated in the "Variants" for augmenting cooperation with the Council for Mutual Economic Aid [RWPG] countries met with broad approval during the survey as a guarantee of Poland's economic security.

Vigorous efforts in foreign trade for the purpose of solidifying economic ties with the Soviet Union and other socialist countries have already begun, which is witnessed by the development of mutual handling of some objectives and an increase in turnover. However, in a series of opinions, it was likewise stressed that the economic apparatus should stimulate development of better cooperation with the Council for Mutual Economic Aid than at present.

Economic sanctions imposed by the United States with regards to Poland induced many initiatives in enterprises which strive to replace those imports lacking from the dollar zone and apply substitute measures and broader utilization of domestic materials. On this basis it can be found that sanctions will not exert the consequences expected in the economy of our country, but they could turn against their initiators, for they actually limit the capabilities for Poland to honor its balance of payments to western creditors.

Regarding relations with capitalist countries, the majority opinion approves the position expressed in the "Variants" that an increase in exports in the next 3 years should be sought in the expansion of the reaction of economic vehicles on the increase of exports by enterprises. The development of subsectors, so-called, and proexport groups can constitute the only comprehensive portion of the export development program. In some statements, doubts were expressed as to the proposed role of the central structurally-specialized policy of the state as being inconsistent with economic reform. Among other things, questions were raised concerning the proposal for a general detailed statement, from subsectors and production groups in the manufacturing industry, to whom economic priority was assigned, for the purpose of supporting export production--in which on one hand, the excessive broad scope of these subsectors and production groups was increased; but on the other hand, proposals were submitted for the further expansion of this scope. This matter requires further profound analysis during the course of work on the plan's draft.

The Planning Committee assumes the position that the structurally-specialized policy by nature possesses long-term character. Promotional efforts of the state stemming from it concern the vigor of the aspects of economically effective production and export, as well as of the subsectors and production groups with exporting perspectives. For these subsectors and production groups, it is necessary to stress and create conditions favorable to the complex satisfaction of their developmental needs that should constitute an important element of the central investment-development and credit policy.

One should concur with the argument that during the years 1983-1985, there will be no objective conditions for basic, structural solutions, and specialized policy will depend principally on harmonization of the productive apparatus with the aid of adaptable and modernistic enterprises. Nevertheless, mobilization of the structurally-specialized policy cannot be delayed, because the underdevelopment of exports impairs the further socioeconomic development of the nation. This is also required by indication of Poland's position in the international division of labor within the framework of the Council for Mutual Economic Aid, on which the disposition of these opportunities depends, which are created by socialist economic integration.

In a series of opinions, a request was made for broader presentation of the problematical national debt. Up to the time of when ongoing negotiations were concluded on this subject, there has been no opportunity yet for a full presentation of public opinion methods for a further solution to this

problem. For the state of indebtedness is dependent on the outcome of these negotiations and likewise on the interest rate in the credit market, current importing possibilities and the like.

The Ministry of Foreign Trade proposed a somewhat different variant for turnover of foreign trade, based on present estimates of capabilities for placing our export production on foreign markets. This variant, from the standpoint of turnover time in constant prices, approaches Variant II of the plan's concept, in that is assumes a smaller increase in prices obtained from exports, and as a result in terms of current prices, is less profitable than proposed by the Planning Committee.

Proposal 13. The Planning Committee proposes the completion of an analysis and reflection on the variant proposed by the Ministry of Foreign Trade [MHZ] in the study of subsequent annual plans following a closer diagnosis of trends in price changes in exporting.

["Scientific-Technological Policy"]

The concern of survey respondents for the problems of scientific-technological policy should be regarded as modest and fragmentary. Only 8 percent of employment plants expressed itself on this subject.

In the opinion of debaters, the reform apparatus requires modification for the purpose of creating stronger motivation for the initiation of well founded solutions technologically and economically. Among other things, there was s submission of proposals that the increase in production, achieved as a consequence of the initiation of scientific-technological progress or augmented production, be exempt from any income taxes whatsoever for a period of 3 years.

In many statements, opinions were expressed for a verification of the usefulness of research-developmental studies presently being conducted, as well as the research-developmental agencies.

["Remaining Problems of the Plan Concept"]

Of the remaining problems of the plan concept, among others, the following issues aroused the most attention:

["Structural Policy"]

The Polish Academy of Sciences invited attention to the structural policy of the concept incorporated in the "Variants," stating that the measures proposed for this purpose are inconsistent with the principles of reform and inadequately founded economically. In conjunction with this, the Polish Academy of Sciences [PAN] proposes that the formulation of methods to rebuild the structure should be abandoned and replaced by two fundamental propositions of structural policy:

1. Structural changes should, above all, be made on the basis of structural adaptations, being the consequence of enterprises efforts and their self-financing abilities.

2. The steering efforts of the state in exerting influence on the structure should by 1985 be limited and should concentrate on the chief priorities: Support of export specialization, housing, food control, as well as the guarantee of long-term development in the areas of fuel, energy, raw materials and infrastructure.

In the opinion of the Planning Committee, this position is unacceptable from the standpoint that:

1. In previous stages of reform, uniform economic-financial parameters were developed for all trades, whereas acceleration of structural changes depends on employment of economic instruments differentiated as to subsector and even according to production groups; a determination of principles for this differentiation must follow from the general plan concept and should be treated as an evolution of reform instruments and their integration in the plan's concept.

2. Under existing conditions of the price system, the principle of self-financing does not yet guarantee desired structural changes. For example, the present level of market prices for coal does not assure vital economic effectiveness in the mining industry. A similar situation presents itself in the food industry.

3. There are no grounds for postponing, for a period of 3 years, efforts to change the economic structure which should be initiated at once, not only in the form of investment endeavor but also independently of it. A study of the principles of the structural policy of the state should be regarded as one of the most urgent responsibilities.

The Planning Committee, within the framework of work on reconstruction of the economy, is preparing a detailed diagnosis of the bottlenecks in industry on the subsector-trade level, which coincides with the many statements calling for a profound diagnosis of the state of affairs leading to implementation of the 3-year plan.

Critical comments were directed at the unsatisfactory program for development of the chemical industry, which has a stifling effect on many subsectors of the national economy.

Proposal 14. Upon examining results of the survey, the Planning Committee proposes that the development of the chemical industry be submitted to special analysis in the study of the 3-year plan, as well as research on the feasibility of maximum approximation of Variant III, from the standpoint of production volume of that industrial subsector and especially of an increase in the cooperative supplies of the chemical industry for the economy.

["Austerity Commitments in Use of Energy, Fuel, Raw and Other Materials"]

During the course of the public opinion survey, a series of stipulations were offered relative to the feasibility of achieving commitments adopted in the "Variants" in the area of conservation in the use of coal, energy, raw materials, and a decrease in costs for housing construction, and requests were made for an adequate decrease in those commitments.

The Planning Committee assumes the position that without researching the feasibility of conservation efforts, these requests should not be accepted, inasmuch as that would be certain to cause a decrease in the production commitments of a series of trades and subsectors of the national economy.

For the years 1983-1985 less mobilizing responsibilities were assumed, concentrating a majority of the accomplishments requested on 1986-1990. A 3-year period is sufficiently long to activate appropriate conservation efforts and study appropriate economic instruments. These accomplishments should be attained, in large measure also, as a result of restructuring the economy, which will be started in the 3-year plan but should produce greater effects subsequent to 1985. Hence, the Planning Committee regards as premature a reduction in conservation responsibilities.

However, the Planning Committee shares the opinion that failure to achieve assumed conservation responsibilities in the control of energy, raw and other materials would represent a threat to responsibilities assumed in the areas of production and consumption and by the same token, to satisfying public needs.

["Hard Coal Mining Level"]

In a resolution of the Polish United Workers Party Central Committee's 10th Plenum, a request was made for the assumption of efforts to maintain the mining of hard coal on a par with that of the current year.

It is maintained that in order to implement this commitment, outlays for the hard coal industry subsequent to 1985 should be larger than appears from present estimates of feasibility for investing in that industry.

Proposal 15. Drawing conclusions from the survey, the Planning Committee proposes adoption of 185-187 million tons of hard coal as the amount to be mined in 1985, as compared with the 181 million ton level adopted in the "Variants." This is based on the level of mining presently attained, taking for granted the continuation of previously adopted methods and incentives for Saturday work, as well as the anticipated approach to exploitation of those new mines already implemented, and the continuation of development of mines and a survey of a decrease in the productive potential of existing mines. In the draft of the 3-year plan, priority will be assured to enterprises associated with essential development of the technological base of transportation, especially railways, which makes possible the efficient removal of coal from the mines. At the same time, efforts will be made after 1985 to locate prospects for additional investments in coal mines, in order to approach the maximal mining of 190 million tons and not the 180-ton volume as proposed in the "Variant."

"Production for the Needs of Agriculture"

During the debate of the survey, the assumed level of production in industry and means of production for agriculture, was challenged as unsatisfactory. Simultaneously, the necessity was pointed out for a search of opportunities to increase production via the creation of more efficiently working economic complexes; the seeking of opportunities inherent in the possibilities for mobilizing specialty by-product production in supply-investment production plants, as well as utilization of reserves and the potential of small-scale industry and crafts.

Proposal 16. Drawing conclusions from the survey, upon additional analysis, the Planning Committee in the draft of the 5-year plan proposes to strive for an increase in the production level of resources for agriculture, as compared with that assumed in the "Variants;" in order to purposely achieve an approximate increase in this production by 41 percent by 1990; as compared with 1981 and not by 39 percent as previously assumed. Numerical proposals for changes resulting from this for the year 1985 are presented in the appendix.

"Time Frame of Plan"

During the debate of the survey, proposals were submitted to abandon a concept of the 5-year plan and rely on consecutive yearly plans for the economy. The issue of the plan's horizon (annual consecutive plans or a 5-year plan) was the subject of a series of talks by, among others, Prof. [illegible].

In the opinion of the Planning Committee, the 5-year plan cannot be abandoned for the following reasons:

1. Initiation of structural changes and especially administration of specialized production processes and foreign trade is impossible without the adoption of a longer time perspective than one-year as a basis.

2. The steering of investment efforts from a standpoint of revising the most rational investment front, which likewise pertains to central investments as well as regional, demands a longer perspective than 1 year.

3. The need for plan surveys within the framework of CEMA requires comprehensive indication of the economic potential for the periods leading up to 1985 and 1990, which cannot be offered by a 1-year plan study.

These are decisive arguments. However, they do not exhaust the list of problems which cannot be solved, nor properly adjusted in the perspective of only one year. Whereas, with a view toward further improvement in socioeconomic planning, attempts consistent with requests expressed in the survey will be adopted to utilize the principles of consecutive planning in some crucial problems.

Proposal 17. Results of the survey, which confirm the concept adopted the Sejm for stabilizing the economy and overcoming the crisis, dictate realization of the plan by 1990 in 3-time frames: the year 1983; the years 1984-1985; the 5-year period 1986-1990.

In 1983, special emphasis will be placed on stabilization of market conditions, as well as on fuller and more effective utilization of the economy's production potential. In this manner, the 1983 plan should strengthen the effectiveness of efforts geared to overcoming the crisis and contributing to the creation of a positive social climate, motivating participation in the implementation of its commitments.

["Means for Implementing the Plan"]

That portion of the "Variants" which concerns plan orchestration, so-called, provoked critical opinions including the motivation systems. Enterprises generally disclosed that a series of reform solutions do not function appropriately and that the document presented for debate does not include an opinion on the effectiveness of the reform's influence on the improvement of management's efficiency.

During the course of the survey, there were requests strongly urging the mobilization of every possible effort for the return of respect for work. It was admitted that for the sake of this goal, even unpopular but effective efforts should be undertaken.

The Planning Committee recognizes that an improvement in the system of motivation, under present market conditions, cannot be identified exclusively with raises in wages. Under present market conditions, reinforcement of the system must be attained primarily via an expansion of access to goods and services, as well as the realization of the principle that those who work better should have better access to market goods in short supply.

Taking into account that economic-financial vehicles for the years 1983-1985 will become the subject of distinct scrutiny within the framework of modifications, whose preparation will begin on 1 January 1983, of principles anticipated in the reform, the document under discussion does not present proposals for special solutions.

Proposal 18. Drawing conclusions from the survey, the Planning Committee proposes, within the framework of the above mentioned modifications, to reflect in detail on requests advanced during the course of the survey:

a. A study of detailed principles of economic priority and taxation relief for market production, especially in the approaching years.

b. Introduction of relief from taxes on profits and payments into the Vocational Activization Fund for production conducted on free Saturdays.

c. Exemption or limitation on income taxes on the profits of units of small scale manufacturing, working on the basis of Resolution No 112 of

[illegible], as well as of [illegible], [illegible] production [illegible], small auxiliary articles and other items of [illegible] for agriculture.

. [illegible] of the principle that production growth, achieved as a result of the initiation of domestic technological thought or modern technology, be exempt from the burden of income taxes on profits for a [illegible] of 3 years.

. Creation of facilities for mobilization and maintenance of production of small-tonnage and small-serial articles by units of research-development [illegible], branches of research agencies or industrial plants and drafting agencies or their partners.

. Application of total economic resources and adoption of efforts leading to augmented conservation of coal and energy.

The means of achieving the 3-year plan's objectives are not exclusively limited to vehicles of reform. Administrative and legal efforts will be employed at the same time--in the sense of enforcing performance of management personnel on all levels of national and economic administration.

Proposal 19. Taking into account the conclusions of the survey, the Planning Committee proposes to immediately launch a study of scheduling endeavors connected with the study and implementation of a 3-year plan for the years 1983-1985.

("General Opinion of the Survey and Principal Directional Changes Proposed for Plan Concept")

A general appraisal of the scope and results of the survey makes it possible to state that, taken generally, the principle of the public opinion survey regarding the plan's concept was generally accepted.

Within the limits of public opinion, the majority, 64 percent of poll respondents, regarded a survey of this type as expedient; while only 13 percent regarded it as inexpedient. The results of this type of research are very convincing, indirectly indicating acknowledgment of this survey as reliable in principle.

The survey made possible the gathering of opinions from many various groups into three basic issues of the plan up to 1985:

Accurate identification of the chief problems presented in the plan concept for 1985.

Agreement of social goals and their priorities proposed in the plan with social aspirations.

Accuracy of proposed solutions and means for implementing the plan.

On the basis of the survey procedures, it can be stated that the first two issues generally gained positive appreciation. On the other hand, most of the critical remarks concerned the third group of issues, namely, specific solutions proposed in the plan concept.

A series of critical observations, especially in press columns, were likewise announced regarding the methods of work on the plan concept, the construction and language of the document. In an evaluation of these reservations, the fact should be considered that a document of this type was studied for the first time in our planning practice. The critical views submitted on it will serve to improve the contents and form of subsequent documents of this type to be studied in the future.

During the course of the survey disturbing trends likewise developed among groups representing various subsectors and trades of the economy, reflecting bad past practices and namely trends to decrease production and austerity responsibilities stipulated in the plan with a simultaneous request for increased resources, especially investment. These views cannot be considered.

In considering the main weakness, as well as the peculiar characteristics of the survey conducted on such a broad scale, regarding the fundamentals of the plan, it should be recognized that a major portion of the survey was concentrated on how to divide the created good, and too little attention was dedicated to how it is to be created.

At the same time it is necessary to stress that a survey cannot be identified with a type of plebiscite. The chief function of a survey is orientation regarding public opinion and attitudes towards proposed solutions.

The state, standing in the position of gaining maximum utilization from a survey, cannot accept for implementation proposals in cases where they are the expression of particular interest groups, both trade and regional, and reflect a desire for higher participation in the distribution of income than the share of work contributed. Then the state, standing on guard in defense of the interests of the general public, and the principles of socialist justice must turn down the proposed solutions.

Drawing conclusions from the survey, the Planning Committee proposes the initiation of a total of 15 very essential and a series of smaller modifications in vast numbers incorporated in the presented concept of the plan. These changes bring the proposals for solutions closer to agreement with public opinion.

These changes generally are calculated to:

First--Alleviate planned price movements and intensify anti-inflationary efforts of the state; and most of all, counteract unfounded price increases by the employment of present compulsory principles of economic reform for that purpose.

Second--Reinforce apparatus favoring an industrial production boom, geared mainly to the needs of the market and in particular, to consolidate actual priority for the production of standard goods which will satisfy the basic needs of the domestic economy.

Third--Consolidation of actual priority for food control.

Fourth--Consolidate a realistic approach to the plan.

These changes are therefore, at the same time calculated to reinforce the principal strategic lines of the plan, namely:

A method for overcoming the crisis more rapidly.

Stimulate feedback between the attitudes of people engaged in production and the economic impressions and activities, by initiating reform and changes in the motivational system.

Surround the interests of the working class with the special protection of the state, and guarantee the income ratios of individual population groups in accordance with regulations from the point of view of consolidating socialist principles of social justice, consistent with the resolution of the 9th Special Assembly of the Polish United Workers Party, and in particular, consolidate the socialist principle of emolument according to the quality and quantity of work.

The survey on the "Variant" concept in essence brought about the development and realization of the "Governmental Program for Overcoming the Crisis and Stabilizing the National Economy" in the approaching years, adopted in July 1981. In spite of the delays which occurred in its implementation in 1981, this program is and will be consistently developed.

(Keyed table on following page)

(19) **Zmiany w wielkościach liczbowych koncepcji planu 3-letniego, proponowane w wyniku konsultacji społecznej** (20) **Załącznik Nr 1**

Wniosek (21)		(22) Wariant (podwariant)	(23) Przedstawione do konsultacji a)	(24) Proponowane modyfikacje poprzednich wielkości	(25) Różnice w pkt.
	(26) **Wariant II proponowany do przyjęcia**				
2	1. Dochód narodowy wytworzony — wskaźnik wzrostu 1985 (1982 = 100)	II	146	145.5—146	— 0.5
	2. Produkcja globalna rolnicza — wskaźnik wzrostu 1985 (1982 = 100)	II	[illegible]	108—109	—1—2
3 i 4	3. Spożycie z dochodów osobistych — wskaźnik wzrostu 1985 (1982 = 100)	(27) II. podwariant „b"	[illegible]	144—[illegible]	+ 1—2
	4. Spożycie pozostałe — wskaźnik wzrostu 1985 (1982 = 100)	(27) II. podwariant „b"	[illegible]	111—[illegible]	—[illegible]—4
	z tego: spożycie materialne na cele socjalno-kultuialne ogółem	(27) II. podwariant „b"	[illegible]	109—[illegible]	— 3—4
5	5. Wydatki bieżące z budżetu na szkolnictwo ogólnokształcące i zawodowe — wskaźnik wzrostu 1985 (1982 = 100)	(28) II. podwariant „c" zmodyfikowany	[illegible]	[illegible]—[illegible]	+ 2—[illegible]
	6. Kultura fizyczna i sport — wskaźnik wzrostu 1985 (1982 = 100)	(28) II. podwariant „c" zmodyfikowany	[illegible]	[illegible]	—[illegible]
	7. Turystyka i wypoczynek — wskaźnik wzrostu 1985 (1982 = 100)	(28) II. podwariant „c" zmodyfikowany	[illegible]	[illegible]	—[illegible]
6	8. Udział nakładów inwestycyjnych na kompleks żywnościowy w całości nakładów na gospodarkę w proc.				
	— 1985	(27) II. podwariant „b"	28.0	30.0	+ 2.0
	— 1983—85	(27) II. podwariant „b"	28.0	29.0	+ 1.0
•	9. Udział nakładów inwestycyjnych na kompleks paliwowo-energetyczny w całości nakładów na gospodarkę w proc.				
	— 1985	(27) II. podwariant „b"	11.5	14.5	+ 3.0
	— 1983—85	(27) II. podwariant „b"	11.5	14.0	+ 2.5
•	10. Udział nakładów inwestycyjnych na przemysły przetwórcze, nie objęte kompleksami, w proc. całości nakładów na gospodarkę w latach 1983—85	(27) II. podwariant „b"	10.2	8.6	— 1.6
•	11. Udział nakładów na inwestycje w turystyce, kulturze fizycznej, sporcie, pozostałych działach produkcji niematerialnej (wydawnictwa, wytwórnie filmowe) w proc. całości nakładów na gospodarkę w latach 1983—85	(27) II. podwariant „b"	1.3	0.8	—0.5
7	12. Struktura nakładów inwestycyjnych na ochronę środowiska w latach 1983—85 w proc.	(27) II. podwariant „b"			
	— ochrona wód	"	45.0	54.4	+ 9.4
	— pozostałe	"	55.0	45.6	— 9.4
9	13. Wzrost cen detalicznych a) — wskaźnik wzrostu 1985 (1982 = 100)	II	ok. 165	146—150	— 15—19
	w tym 1983 r.		125	117—118	— 7—8
	14. Przychody ludności b) — wskaźnik wzrostu 1985 (1982 = 100)	II	166	148—150	— 16—18
14	15. Wydobycie węgla kamiennego w mln ton w 1985 r.	II	181	185—187	+ 4—6
17	16. Produkcja środków produkcji dla rolnictwa z przemysłu i rzemiosła razem — wskaźnik wzrostu 1985 (1982 = 100)	II	127	132	+ 5
	17. Udział wartości produkcji środków wytwarzania dla rolnictwa w proc. całej produkcji przemysłowej w 1985 r.	II	6.2	6.7	+ 0.5
	18. Produkcja środków wytwarzania dla rolnictwa z przemysłu i rzemiosła w 1985 r. w mld zł	II	465	510	+ 45

(29) a) według dokumentu „Warianty koncepcji Narodowego Planu Społeczno-Gospodarczego do 1985 roku i wstępne założenia na lata 1986—1990".
(30) b) wstępna ocena, która będzie uściślona w pracach nad projektem planu trzyletniego.

Key:

1. National income earned
 --growth index 1985 (1982=100)
2. Total agricultural production
 --growth index 1985 (1982=100)
3. Personal income consumption
 --growth index 1985 (1982=100)
4. Remaining consumption
 --growth index 1985 (1982=100)
 including: material consumption for social-cultural purposes in general.
5. Current expenditures from the budget for general educational and vocational schooling
 --growth index 1985 (1982=100)

(Key continued on following page)

6. Physical culture and sport
--growth index 1985 (1982=100)
7. Tourism and rest
--growth index 1985 (1982=100)
8. Allocation of investment outlays for the food complex in the total outlays for the economy in percentages.
--1985
--1983-1985
9. Allocation of investment outlays for the fuel-energy complex in the total outlays for the economy in percentages.
--1985
--1983-1985
10. Allocation of investment outlays for manufacturing industry, not included in the complexes, in percentages of total outlays for the economy during the years 1983-1985.
11. Allocation of outlays for investment in tourism, physical culture, sporting, remaining divisions of non-material production (publishing, film production) in percentages of total outlays for the economy 1983-1985.
12. Structure of investment outlays for environmental protection during the years 1983-1985 in percentages.
--water protection
--remainder
13. Increase in retail prices (a)
--growth index 1985 (1982=100) including 1983
14. Personal income (b)
--growth index 1985 (1982=100)
15. Mining of hard coal in millions of tons in 1985.
16. Production of the means of production for agriculture for industry and crafts jointly
--growth index 1985 (1982=100)
17. Allocation of production value of the means of manufacturing for agriculture in percentages of total industrial production in 1985.
18. Production of the means of manufacturing for agriculture from industry and crafts in 1985 in billions of zlotys.
19. Changes in the numerical proportions of the 3-year plan concept, proposed as a consequence of the public opinion survey.
20. Appendix No 1
21. Proposal
22. Variant (subvariant)
23. Presented for survey (a)
24. Proposed modifications of previous amounts
25. Percentage differential
26. Variant II proposed for adoption
27. II subvariant (b)
28. II subvariant (c) modified
29. (a) As per the document, "Variants in the concept of the National Socioeconomic Plan for 1985 and initial assumptions for the years 1986-1990."
30. (b) Initial estimate which will be precisely stated in studies on the draft of the 3-year plan.

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CSO: 2600/141

CERTAIN ECONOMIC CHANGES IN 1983 ASSESSED

Economic Turning Point

Warsaw TRYBUNA LUDU in Polish 3 Jan 83 pp 3, 5

/Article by Krzysztof Krauss: "The Economy at a Turning Point"/

/Text/ Always - and especially now - the economic situation of the state decisively determines the conditions of life of society. We are tired out by longlasting difficulties. What is the chance of pulling ourselves out of them?

One thing is certain: the key to improving the material conditions of society does not lie in the productivity of the printing presses which turn out money. This method has already been tried, above all in 1981, and we are still feeling its effects. The growth of the money income of the population by over 31 percent with a fall in industrial production of almost 11 percent was accompanied by an unprecedented break-up of the market.

The key to solving these problems lies in production, its magnitude, efficiency and structure.

On the threshold of 1983 we are, from an economic point of view, in a qualitatively new and better situation compared with what took place 12 months ago.

Let us remember that, at least from the mid-1970s, dangerous phenomena were growing in the economy. At the end of the 1970s it was clear that part of the enormous resources directed toward investments became stuck in projects which we will not be able to finish for a long time. It also became clear that coproduction ties were being broken off, that supply balances were being broken, that it was becoming harder and harder to return credits negotiated abroad in the earlier negotiated terms and set installments.

But even after the conclusion of the economic results of 1980, when these facts were obvious, a group of the largest banks representing international interests gave Poland in a widely published poll of the "International Investor" company 33 points for "economic reliability."

This poll is a reflection of the views of international business on the economic condition of various countries of the world. The point scale runs from "0" (minimum) to "100" (maximum). The 33 points given Poland were not all that much (e.g. Czechoslovakia and Hungary were rated more than 20 points higher, and Bulgaria around 15 points higher), but for a long time even with that number of points we were placed, in the opinion of the banks, in a position near the middle of the table. In the next edition of the poll, half a year later, Poland was given less than 20 points for "economic reliability"; in the latest edition, which is based on the situation at the end of 1981, only 13 points.

What happened in the course of that year? What caused such a drastic change in the rating of our economy? Certainly the natural resources with which Poland is well endowed did not suddenly disappear, agricultural activity did not just die out, the nearly 18 million citizens who make up the so-called gainfully employed population did not just lose their ability to work. Political views? 1981 was the peak period of activity and even wider influence on the course of events in our country of the antisocialist opposition. With whom, if not with that opposition, should be sympathies of western bankers lie?

But here, in evaluations formulated for internal use by business, and not for propaganda purposes, it is simply sober businessmen who speak. And they preceived that Poland in 1980 was a diseased economic organism, but that that disease could be checked.

Let us remember: it was then estimated that correspondingly limited returns on investments and a certain relatively small restriction of consumption (by 6-7 percent), with balanced production goals and thorough economic reform should, in a relatively short time, lead to renewed growth of the national income, and gradually help lift Poland out of the trap of foreign indebtedness and help restrain inflation.

At that time it seemed obvious that that chance was what we were striving for. Things turned out otherwise. Forces which were determined to push the country to the edge of the abyss had received publicity.

Pay raises for everyone and everywhere extorted by strike blackmail, the shortening of work time, meetings and marches instead of production, a hand extended for foreign aid while giving up competition for foreign markets, uncontrolled issuing of money, discussions about reforms rather than actual reforms - such were the hallmarks of 1981. The further course of events was what it had to be under such circumstances.

In the first quarter of 1981, industrial production was lower than in the corresponding period of the previous year by 10.2 percent, but in March it was down by 11.8 percent. In May there was no area of industrial production that did not register regression. In October the fall in industrial production was estimated at 13.6 percent, and the amount of the overall decline in production from the beginning of the year was close to 380 billion zlotys. At the same time payments from the wage fund were for ten months in 1981 up 24.6 percent over the same period of the previous year.

In July 1981 income from the sale of industrial production was 5.3 billion zlotys lower than the cost of that production, and in August 1981 - 11.1 billion zlotys! This happened in the next months more and more often. Only thanks to the surpluses of the first months of that year was industry able to register a favorable balance for the year as a whole.

This was just a foretoken of the collapse of the whole economic mechanism. That collapse would certainly ha[illegible]aken place if, on 13 December 1981, there had not been put a stop to those w[illegible] the name of their political aspirations were ready to do anything only to seize power into their own hands. What has happened in the economy since that memorable date?

...To be sure, we still do not occupy too high a place in the poll of the representatives of international business. There are still many facts testifying to a very difficult, complicated situation. We still finish out the year with a 1-2 point decline in national income.

It is worthwhile, however, to be aware of the tendencies increasing in the current year. August 1982 - 1 percent growth in industrial production; September 1982 - 4 percent; October 1982 - 5 percent; November 1982 - 8 percent. Since October 1982, sectors of the economy characterized by growth tendencies included public construction, and from November - transport. Exports are increasing. For the first time since the 1960s Poland is producing a surplus of foreign exchange income over expenditures for imports with countries of the second payment area /capitalist countries/.

The arduous process of putting the economy back on its feet is over. There lies the qualitative difference of the situation. The economy was at a turning point. This was influenced, on the one hand, by martial law, which had a disciplining effect on economic processes. On the other hand, an economic reform has begun under and thanks to the conditions of martial law. The reform is creating a field for the independence and initiative of enterprises, and for the application of cost effectiveness at all administrative levels. That is how it appears at the turning point.

What will happen next? Does that depend exclusively on whether we maintain the "forward" course, which has been so clearly delineated in recent months? Or will we also start sliding back, which is so easy to do on the unsteady ground of continuing disproportions and pressures.

In the coming year, after the suspension of martial law, the importance of the economic reform as a factor of economic revival will increase. Certain administrative elements in managing the economy remain. However, the scope for applying those elements will be smaller than in the current year, and certainly will grow smaller in the course of the year. Under these conditions the mechanisms of the reform must ensure a more effective coordination than has hitherto been the case of the immediate interest of enterprises and of their personnel with the interests of society as a whole, and with the strategy of the central plan.

The time for this undertaking to be tested is coming, an undertaking which must radically change the functional model of economic relations in our country. This will be the most profound transformation in the system of management of the national economy since the 1940s. This transformation will be based on the broad development of socialist democracy and on worker self-government. It is a transformation on which we place great hopes.

A long road still lies ahead of us. According to the Planning Commission, it will take at least three years to regain the level of production which we registered in the years preceding the crisis, and at least four or five more years to regain the standard of living which we had reached at the end of the 1970s. But this time it will be on the strong, lasting foundations of our own economy, and not on foreign loans, on credits drawn from western governments and banks.

In the first phase, in 1983, according to the Plan, we must achieve four point growth in industrial production, and more than two point growth in national income, both generated national income and income for distribution. This would be the first time that growth would be registered for industrial production in three years, and the first time for national income in four years! In light of this year's results, these prospects seem to be realistic.

With hard work and a sense of responsibility for the country and for ourselves, we are pushing into the past that which had led us, in the period before 13 December, to the brink of catastrophe. However, in doing this, let us remember all the facts and events which so violently pushed us downhill, so that they should never be able to happen again. Neither now, nor ten or twenty years from now. For we have paid, and are still paying, too high a price for them.

Producer Price Changes

Warsaw RZECZPOSPOLITA in Polish 20 Dec 82 p 1

/Article: "Starting 1 January 1983: Changes in Producer Prices"/

/Text/ The reform of basic producer prices for raw and other materials implemented in early 1982 has made these prices more realistic, has brought them closer to the relations of world prices and production costs. However, the production of certain raw materials continues to be unprofitable.

As a result of raising the exchange rate of foreign currencies at the beginning of this year, there appeared a discrepancy between producer (national) prices of many raw and other materials and their transaction prices, i.e. the prices paid in import or charged in export in hard currency, and counted in terms of gold according to the new, higher rate. This makes it necessary to raise the producer prices of certain basic raw and other materials.

As is well known, increases in the prices of basic raw and other materials cause an increase in production costs in enterprises which use these materials,

and consequently can influence the prices of finished products. Taking into consideration the need to limit the inflation rate to what was indicated by the Tenth Plenum of the CC PUWP, the government has decided to limit increases in the prices of basic raw and other materials to an essential minimum, accepting at the same time the concept of spreading the essential corrections of these prices over a period of several years.

From the first day of January 1983 the producer prices (i.e. prices paid by economic units) for hard coal will increase on the average by 15 percent, for gas fuels by 20 percent, for iron ore by 25 percent, for steel products by 10 percent, for tin by 65 percent, for cement by 10 percent, for cellulose by 20 percent, and for electric energy by 10 percnet. Freight transport rates will also be increased for economic units by 30 percent.

According to the Price Administration, starting from 21 December 1982, economic units can obtain bulletins announcing the new producer price levels of basic raw and other material at sales outlets of voivodship warehouses of the Workers' Publishing Cooperative "Prasa-Ksiazka-Ruch."

The increase in producer prices of certain basic raw and other materials should lead to a reduction in their use. Taking additionally into account the limited scope of the producer price changes, and also the relatively high profitability of production of processing industry enterprises, which produce goods for the producer market, it is considered that the price changes for certain raw and other materials implemented at the beginning of 1983 will not exert a greater influence on the level of retail prices.

9970
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ENERGY DEVELOPMENT STRATEGY PLANNED THROUGH 1990

Bucharest REVISTA ECONOMICA in Romanian No 51, 24 Dec 82 pp 4-5

[Article by Nicolae Liciu]

[Text] A document of maximum importance for implementing energy policy, the program on energy production and development of Romania's energy base in the current decade, discussed and approved by the national party conference, is established in a mobilizing plan of action meant to insure reaching the strategic goal so that in coming years Romania becomes independent from the viewpoint of fuel and energy.

Proceeding from the general goals of development of the Romanian economy in the current stage and correlated with it, from the implications of the world energy situation, the program provides for the powerful increase in the production of energy carriers and the long-range development of Romania's energy base. At the same time, very important tasks are established to continually reduce the specific consumption of fuels, electric and thermal energy in all social-economic activities and to increase the contribution of scientific research and new energy technologies, together with extending and improving the national energy system. The provisions of the energy program also seek to eliminate the shortcomings and difficulties which have occurred in recent years in satisfying the need of the national economy for energy and, as pointed out by the party's secretary general at the national conference, it creates the opportunity so that even by 1983 more than 90 percent of the consumption of primary energy is provided with our own forces.

Structural Changes in Energy Production

In conformity with Romania's energy strategy in the 1983-1990 period, the stress in development of the energy base is being placed on intensification of the use of solid fuels, on extending the construction of hydroelectric power centrals,on speeding up the building of nuclear power centrals and using reusable and new resources to a greater extent, thus restricting to the minimum the consumption of oil products and natural gases. On the basis of the tasks to emphasize the reduction of energy consumption throughout the economy and taking into account the rates and proportions of social-economic development forecast, it is estimated that the production of electric energy will rise by around 13 percent by 1985 and by 30-38 percent by 1990 compared with last year's achievements.

According to the guidelines established for providing and utilizing primary energy, a number of changes in the structure of electric energy production are being made (Table 1). The development of electric energy production, predominantly that obtained from hydroenergy, from coal, bituminous shale and nuclear energy, will lead to an increase in the percentage of primary energy transformed into electric energy by the end of this decade, approaching the economically developed countries from this viewpoint.

Table 1: Structure of Electric Energy Production (%)

Production of electric energy	1981	1985	1990
Total	100	100	100
Percentage of which is in centrals of Ministry of Electric Power	94.9	95.3	96.0
Of these:			
In hydroelectric power centrals	18.0	20.6	23.7
On basis of coal			
On basis of hydrocarbons	50.0	28.3	5.2
On reusable energy resources and and new sources	1.8	2.3	4.3
In nuclear electric power centrals	--	--	21.6

Provisions in the area of energy production are based on better utilization of existing capacities and putting new aggregates in the electric power centrals into operation in the current decade, amounting to a power higher than the entire current installed power. This broad program to install new groups involves special efforts to increase the capacity of the construction-assembly trusts in the energy sector for building, to provide the material base and labor force and supply highly-productive equipment with a view to eliminating the shortcomings seen in the past in placing aggregates into operation in the centrals on coal and in the hydroelectric power centrals. In accordance with the important changes planned in the structure of electric and thermal energy production, the power of the newly installed groups is forecast to evolve appropriately (Table 2).

Evolution of Newly Installed Capacities (%) Table 2

New Installed Power	1981-1985	1986-1990
Total	100	100
Of which:		
In hydroelectric power centrals	31.0	33.4
In centrals on coal and bituminous shale	63.0	23.6
In nuclear electric power centrals	--	43.0
In centrals on recovered energy resources	6.0	--

The increase in hydroelectric energy production in the current decade--equal to the entire energy produc ion obtained in the hydroelectric power centrals during 1978--provides for doubling the degree of utilization of the national hydroelectric energy potential by 1990. In this framework we have in mind that the installed power in the hydroelectric power centrals in this five-year plan should increase by around 2,500 MW and by another 3,600 MW in the 1986-1990 period.

on by setting up hydroelectric power centrals with high power as well as microhydroelectric centrals, thus utilizing not only the country's main hydroelectric power potential but also the energy of the small waterways. In the five-year plan alone important capacities will be placed into operation, such as the ones at the Iron Gates II, on the Olt, Riul Mare, Cerna, Siret, Bistrita, Trotus, Sebes and so forth, added to which in the 1986-1990 is to be an installed power equal to the capacity of all of today's hydroelectric power centrals, which explains the totally special efforts which must be undertaken in the hydroelectric energy sector. At the same time, to be installed in the microhydroelectric power centrals are a power of 160 MW in the current five-year plan and a power of 230 MW in the 1986-1990 period, achieved by building more than [illegible] such projects in all counties.

The especially important provisions in this area are accompanied by numerous measures referring to the design, construction, providing of equipment and operation of microhydroelectric power centrals, measures which involve large human and material forces through the county people's councils and the economic ministries, providing for fitting the microhydroelectric power centrals into the general concept of setting up the national hydroelectric energy potential.

Extending the use of coal and shale in the thermoelectric power centrals is reflected in the nearbly doubled increase in electric energy production on the basis of coal in the 1981-1985 period, which is to reach 34.8 billion kWh by the end of this five-year plan. In order to achieve these increases in production, current efforts are being channeled in two directions: on one hand, to place new energy aggregates into operation within the terms forecast in the thermoelectric power centrals in Turceni, Borzesti, Giurgiu, Craiova, Govora, Iasi, Bucharest, Suceava, Turnu Severin, Arad, Oradea and so forth and, on the other hand, just as necessary, to eliminate the defects in the groups of 330 and 200 MW in the centrals existing on coal, knowing that the electric energy production of these centrals even now could be substantially greater under conditions of normal operation of the groups.

In order to provide for the development of electric and thermal energy production in the centrals on coal as well as to cover the other consumptions in the economy, the extraction of lignite and brown coal is to increase 115 percent by 1985 and nearly 180 percent by the end of the current five-year plan compared with the achievements of this year. And because the first electric energy on bituminous shale is to be produced in the centrals of the Anina and Doman reservoirs, their level of extraction is to reach 10 million tons by 1985.

The provisions of nuclear power development in Romania refer to the projects in this area to build three nuclear-electric power centrals in Dobrogea, Transsylvania and Moldavia, which means that by the end of 1990 we should have available an annual nuclear-electric power production capacity of 25 billion kWh, equal, for example, to the entire quantity of electric energy produced in Romania in 1969. It also should be mentioned that reactors with a unit output of 660 and 1,000 MW are to be installed in these centrals.

Reintroducing reusable energy resources into economic circulation and increasing the contribution of new energy sources are primary goals of the energy program. The contribution of these resources to covering consumption from the

economy is to increase by more than 50 percent by 1985 and 3.3-3.6 times by the end of the decade, thus providing additional conditions for replacing the classic fuels, particularly hydrocarbons, for the consumers. Priority in this action is to be given to utilizing those resources which are obtained at lower cost and in greater quantities. In this framework it is forecast to obtain a large volume of reusable energy from the heat of combustion gases, chemical processes and cooling agents, from warm air evacuated, from industrial and household waste, from excess pressure resources available, with the degree of recovery of the potential currently estimated to reach 81 percent by 1985 and 1986 and 38 percent by 1990. Special attention is being given to promoting solar, wind, geothermal energy, biogas and biomass.

The production of thermal energy and covering the need for heat from the national economy form the goal of a separate chapter of the program, given the fact that approximately 70 percent of the energy consumed in the economy is utilized as heat. Providing thermal energy consumption is conceived under conditions of applying a severe program to rationalize and save on heat, under conditions of the substantial extending of the use of coals, secondary and new resources and other local forms of fuels for heat production, restricting the utilization of hydrocarbons progressively, having given up the consumption of oil products for this purpose by the end of this five-year plan. In Ministry of Electric Power unit, through the development of electric thermification centrals, the thermal energy produced on coal and bituminous shale must rise from just 10.4 percent in 1981 to 29.3 percent by 1985 and more than 57 percent by 1990.

The energy program establishes the optimum means for satisfying the needs for thermal energy by categories of consumers: from the electric thermification centrals for locations with high heat consumption, from zonal thermal centrals for production of thermal energy for the industrial units and groups of houses as well as from lower-capacity boilers for providing small, dispersed consumption. On the basis of the measures to rationalize and save as planned, the program provides that by 1985 the level of thermal energy production and consumption should equal that achieved last year, under conditions of the country's powerful social-economic development. In this framework, special emphasis must be placed in continuation on reducing the consumption, particularly technological, whose share exceeds 80 percent in the total need for thermal energy.

Increasing Efficiency in the Utilization of Energy

In the energy program the provisions of great importance aim at increasing output and the efficiency with which fuels, electric and thermal energy are being used in all areas. In the current decade, as was emphasized in the Directives of the 12th party congress, modernization of the structure of the national economy, emphasis on measures for saving energy in all sectors of activity must provide for obtaining a national income per unit of energy consumed at a level comparable to the achievements of the economically advanced countries. For that reason, it is necessary to take action to continue increasing output in the utilization of all energy carriers, in their production, in the processes transforming energy from the primary form to the one in which it is supplied to the consumers. What should be kept in mind are allocating energy in the quantities, form and quality appropriate for the particular consumption process, substituting some superior energy resources but strictly limited quantitatively with

Low-quality resources, restricting the use of raw materials, materials and equipment which include or whose manufacture requires large quantities of fuels and energy, better organization of production and work and so forth.

Greater attention is to be given to the scientific norming of all categories of energy consumption, to strictly following up on achieving them in all sectors of activity, primarily for the big projects in the economy. For example, foreseen for the Ministry of Electric Power are important actions to increase electric and thermal energy production on coal, under conditions of continuing to reduce hydrocarbons to maintain the flame in the boilers, through improving the operation of energy aggregates, generalizing projects to modernize the groups operating on solid fuels, carrying out repair projects of better quality and in a shorter time, increasing the efficiency of intervening in the correcting of defects with a view to increasing the degree of utilization of the installed power.

In order to fulfill the important tasks in the program aimed at development of energy production and judicious management of it, a decisive role continues to belong to scientific research, technological engineering and the introduction of technical progress, called on to insure improvement in the production and consumption process from the energy viewpoint, creating new materials and replacements with lower fuel and energy consumption and working out improved technological solutions in energy field and so forth.

To be placed in the problems of broad interest for research are optimization of the plans for complex setting up of waterways, assimilation of equipment for the nuclear power centrals as well as obtaining materials needed for them, new solutions and equipment for the recovery and utilization of secondary energy to introduce into economic circulation new sources of energy. New solutions and procedures must be worked out to continue reducing hydrocarbons added to the boilers on solid fuel, adapting certain groups of condensation to the combined production of electric and thermal energy, reducing the consumptions belonging in the energy system. Also, research is being called on to offer conceptual results, amplifying and improving the means for analyzing the technical-economic solutions in all sectors of activity, with full consideration of the implications of the energy factor, whose importance is recording a continued increase in today's world.

Implementation of the program will lead to sustained development of Romania's energy base and will produce important quality changes in its structure, in agreement with the current and future requirements of the national economy.

8071
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EFFICIENCY MEASURES TO BE ENACTED IN PRODUCTION SECTOR

Bucharest REVISTA ECONOMICA in Romanian No 51, 24 Dec 82 pp 14-15

[Article by Dr Gh. Sica, director in the State Planning Committee]

[Text] The work of the Romanian Communist Party National Conference, based on major problems aimed at the continued social-economic development of Romania, brought out strikingly the role of the intensive-type of development. In this framework special attention was given to the possibilities for saving on social labor, for reducing production costs, as one of the specific ways for efficient development of the Romanian economy and for reducing the effects which the world economic crisis is having on our economy.

Programs of major importance were adopted at the national party conference for Romania's social-economic development in the immediate future. They are as follows: the program for additional reduction in the consumptions of raw materials, materials and energy for 1983; the program to intensify the recovery and utilization of reusable material resources, used parts and subassemblies and secondary energy resources for 1983; the program to increase labor productivity and to organize and have scientific norming of production and other activities. On the basis of these programs, also worked out was the program to reduce costs and material expenses in the 1983-1985 period, to improve the planning system, record-keeping and computation of production costs and to establish prices. The provisions of all these programs converge in the direction of saving on social labor, of reducing costs and material expenses per unit of product, a major problem in the current stage. Also the single national plan for 1983, recently approved by the Grand National Assembly, in its construction, has sought solutions with greater efficiency in areas of decisive importance for our economic progress. We have in mind the projects which seek to reduce the quantitative consumption of production factors to the maximum[sic] and to utilize the qualitative aspects and have a more emphatic growth in efficiency in all areas of activity, to raise the technical and qualitative level of production, to increase competitiveness parallel with broaden our own base of raw materials and energy materials, to have intensive development of agriculture and continue promoting a firm policy of rational management and superior utilization of raw materials and energy.

Reduction in Costs Per Unit of Product

Production costs are the decisive factor in increasing economic efficiency. As an overall qualitative indicator of the single national plan, the level of

production costs reflects the degree of management of production capital in the enterprises and centrals and determines the size of the products' profitability and is the decisive criterion in raising production, delivery and retail prices. Activity to reduce production costs and material expenses per unit of product, at the same time, is an action to increase and raise the standard of living and for our social- economic development. "We must take action with all firmness," emphasizes the report presented to the national conference by Comrade Nicolae Ceausescu, "in order to have a more powerful growth in social product and national income, to reduce the percentage of material expenses, to increase net production and national income--the only path for insuring the resources needed for the development of society and for raising the people's well being."

In the first two years of the five-year plan, due to the efforts to reduce costs, an estimated cumulative volume of around 40 billion lei of savings was obtained in Romania's industry, of which more than 25 billion lei were savings from reducing material expenses. In transportation, expenses per 1,000 lei income will be lower by nearly 8 lei/1,000 lei income compared with 1980, while in state agriculture, under the conditions of the good agricultural year we concluded, expenses will be reduced by more than 90 lei/1,000 lei production good.

The results obtained are the effect of the efforts made by the collectives of workers in enterprises and centrals to reduce specific consumption, to have superior utilization of raw materials, to increase labor productivity and, in general, to manage production capital with greater efficiency. The issuance of the salary fund depending on net production has stimulated broadening of the effort to increase the contribution of each unit to raising national income and has brought greater concern with reducing material expenses.

Despite the positive results obtained for industry as a whole, it should be emphasized that in some industrial subbranches the provisions of the five-year plan in the area of reducing costs have not been fulfilled, with lags being recorded in the electric and thermal energy industry, the mining industry, the metallurgical industry, the wood and building materials industry. Achievements could have been better if a number of factors would not have acted with an unfavorable effect on the level of total and material costs; a volume of rejects much beyond the admissible limits was recorded, some production capabilities were put into operation with delays, capabilities for which it had been anticipated to obtain products with lower expenses, together with the failure to reach the parameters planned for a number of new projects and physical and value production was not fulfilled at the level and structure forecast by the plan.

Some heads of enterprises and centrals, through the goals which they have forecast in the technical plan, did not help the action to reduce costs appropriately with technical and technological measures. Also, the indicators for promoting developed planning, computer and record-keeping methods for costs (normative, standard, cost-hour-machine) were not fulfilled in all enterprises, which would permit an efficient seeking of achievements and taking measures in time to eliminate the shortcomings. There also are situations which show that some leaders of enterprises and centrals have not been concerned with having the costs departments fit appropriately into the technical and economic cadres with experience as well as with raising the professional level of the existing cadres.

Taking into account all this and also the provisions in the programs mentioned in connection with additional reductions in consumption and intensification of reutilizations and recoveries of raw materials and materials, the national conference adopted decisions for a more emphatic reduction in production costs and material expenses (Table 1).

Table 1: Volume of Savings Compared With 1982 (Billions of lei)

Production costs, material expenses	1983	1984	1985
Plan provisions	15.7	26.3	44.2
Results following national conference	25.4	58.5	93.7
Additional reduction	9.7	32.2	49.5

As such, for the entire 1983-1985 period more than 91 billion lei in savings are to be obtained, thus contributing to the increase in profits, in national income and to the future social-economic development of Romania. From this volume of savings, more than 88 billion lei represent savings in material expenses, with the main portion belonging to the industry of the country (more than 63 billion lei). Amplification of the efforts to reduce material costs by product is concentrated in particular in the machine building industry, metallurgy, chemistry, light industry, wood processing and building materials industry.

In the national industry the main factors due to which the volume of material savings are to be achieved in the 1983-1985 are given in Table 2.

Factors in Material Savings Table 2

Contributions to Material Savings	1983	1984	1985	Cumulative 1983-1985
Total additional material savings	6.6	23.8	33.1	63.5
Due to:				
Reducing specific consumption of raw materials, materials, fuels and energy	5.5	15.5	20.0	40.5
Increasing degree of utilization	.8	4.0	7.5	12.3
Extending use of reusable materials	.5	1.1	1.6	3.2
Improving structure of production, otpimization of transport, rationalization of expenses for material-technical supply, and so forth	.3	3.2	4.0	7.5

The basic matter now lies in working out solutions which, included in the specific programs by branches and subbranches, by ministries, centrals and enterprises, should be followed with special concern in application so that they are carried out so that the savings forecast become effective.

Ways and Means of Saving

The additional reductions in material expenses and costs per unit of product must be based decisively on technical and technological solutions. All the goals included in the technical plans of the enterprises and centrals must be based predominantly on solving the tasks to reduce costs and material expenses and

increase economic efficiency, quantifying the economic effect with a view to having full coverage of the volume of additional savings resulting from the tasks established.

Taking into account that the process of saving on social labor begins even during the design phase of the products and technologies, it is necessary for all the scientific research and technological engineering institutes, under the direct guidance of the ministries and the National Council for Science and Technology, to concentrate their efforts on radical improvement of the technical documents which are at the base of assimilating new products and redesigning existing ones so that the construction and functional parameters which are competitive at the world level are insured, placing the emphasis on rational consumption per unit of value of use. Special emphasis in the enterprises and centrals must be placed on stimulating the activity of innovations and rationalizations so that utilization of the creative potential of workers, technicians and engineers is insured and a portion of the volume of additional savings forecast.

Since more than 25 billion lei are being provided through costs in the 1983-1985 period to finance scientific research, technological development and the introduction of technical progress, it is necessary for this large financial effort to be oriented toward implementing the technical and technological goals which contribute substantially to achieving the additional savings provided in the program.

The main directions of action by branches and subbranches of the national economy to reduce costs and material expenses per unit of product are:

In the metallurgical industry: promoting actions intended to raise the coefficient of removal of metal from the 81.5 percent preliminarily forecast for 1982 to 86 percent in 1983. At the same time, also in mind are increasing the portion of continuously cast steel, utilizing shooting it , improving the fireproofing products and powders for casting the steel, and raising the general quality of iron and steel products;

In the machine construction industry: redesigning some products, assimilating new, competitive products, reducing the consumption of copper and lead in the redesign of drawn or stranded copper products, optimizing the use of replacements, extending the recovery and reusage of certain materials, optimizing the processes of dividing and the manufacturing lots, and scientifically organizing production and work;

In the chemical industry: modernizing certain manufacturing technologies (GIAP ammonia--Piatra Neamt, halls 7-8 for electrolysis in Slatina, oxoalcohols, Braila rayon puplp and so forth), stressing the recoveries of secondary products (ethylene from residual gases from ethylene chloridization, synthetic non-pressed rubber from the Borzesti rubber installation, calcium chloride flakes from the soda residue), working out new technologies to utilize useful substances--copper, lead, zinc--from waste and cuprozinc ash as well as from residual waters (Copsa Mica, Baia Mare and Zlatna), having more emphatic reduction in specific consumption, particularly energy;

In the wood and construction materials industry: redesigning furniture as well as accessories, by using plywood and lumber with reduced thickness and superior materials for upholstery and matte finishes, extending the production and utilization of prefabricated and semi-fabricated parts instead of standard lumber, increasing the proportion of recovery and reusage of cellulose from the residual waters and used paper and cardboard , reducing the weight of paper and cardboard in favor of increasing their areas, continuing to reduce cement production on the moist process, using to the maximum the existing manufacturing capacities with the dry process, completely eliminating primary fuels in drying ceramic bricks and products from mineral padding, improving the structure of construction materials by promoting clocks with lightweight aggregates and hydroinsulating products which amount to reduced energy consumption;

In light industry: producing new articles of cotton mixed with polyester fibers with celofiber, with increased fiber guage and greater density, preserving the products' value of usage, increasing the share of reusable materials in wool-fabric production intended for men's suits, topcoats, rugs and blankets, improving the patterns in sewing operations, increasing the share of the systems for making shoes with glued sole or injected and tubular, extending combined sewing techniques for enamelled dishes to increase the degree of utilization of sheet, applying new techniques intended to reduce the consumption of electric energy and fuels;

In state agriculture: besides optimizing the time for preparing agricultural and harvesting projects as well as other basic measures aimed at increasing average per hectare production and average production per animal, also being taken into consideration are replacing ploughing for sowing with discs and eliminating herbicides in vegetation by providing mixtures of herbicides in the precursory herbiciding which control all the range of weeds, extending areas with hybrids which are resistant to failure and eliminating operation for manual correction, reducing expenses with foddering of bulls and sheep by extending the number of them and the length of time for the foddering system by pasturing, substantially reducing tractors, trailers and other equipment on the zootechnical farms with methods of animal traction, massively extending the reconditioning of spare parts and so forth;

In transportation: continuing to improve the technical-economic indicators by increasing the gross tonnage and reducing the coefficient of empty passage of freight trains, having centralized transport and extending the use of trailer trucks in the motor sector, reducing the consumption of fuels and lubricants and the standing time for ships in the loading-unloading operations. Also to be extended are the organization of transportation en route, of centralized motor transportation combined with the railroads and utilization of auxiliary motors while ships and others are standing;

In construction-assembly: special emphasis is to be placed on promoting new solutions, on using model designs and modulation to a greater extend, on standardization of elements for constructions and installations and on improving the degree of use of equipment and the machinery stock.

Mobilization of all the enterprises, centrals and ministries to have additional reduction in production costs, predominantly material expenses, in the 1983-1985 period compared with the plan forecasts is to be reflected in reduction of the share of material expenses in total social product and in increasing the national income, with all the positive results of this phenomenon for Romania's social-economic development.

8071
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ENERGY INDEPENDENCE PLANNED THROUGH RESOURCE DEVELOPMENT

Bucharest ERA SOCIALISTA in Romanian No 20, 20 Oct 82 pp 4-6

[Article by Gh. Codreanu, secretary of state in the State Commitee for Planning: "Firm Actions to Achieve Energy Independence"]

[Text] "On the basis of the current situation, one can see that all conditions exist to fully meet from domestic resources, the total consumption of primary energy in 1985, and thus to achieve energy independence." Nicolae Ceausescu

Our country's energy independence relies strongly on providing the sources of raw materials for energy from our own resources. The fulfillment of this requirement, which the recent plenary session of our party's central committee has established as a priority economic objective until 1985, assumes the concentration and mobilization of all forces in geologic research, the extraction and valorization of discovered mineral raw materials, and the development of scientific research into the utilization of available fuels with maximum efficiency.

Major Emphasis--Coal

It is well known that the largest proportion of our mineral resources is coal, and that nearly 80 percent of this coal is lignite. Following in order of magnitude are crude oil, natural gas, uranium, combustible shale, and to a small extent, geothermal water. Considering that the needs of the economy are very different in terms of fuel characteristics being used, it is clear that this range of fuel resources must be managed with the utmost care and with great thrift, in order to satisfy the needs of all branches and sectors in our economy: metallurgy, chemistry, electric power, machine construction, electrical machinery, transportation, heating, and so on. The fulfillment of these needs requires the unanimous understanding of a duty with deeply patriotic connotations, namely, firm action to complete in an exemplary manner the tasks and measures established by the 12th Party Congress.

Decisively engaged in the multilateral development of the economy, our country has benefited from Nicolae Ceausescu's clear foresight; anticipating the effects of the world energy crisis, and in particular the shortage of

petroleum products, he oriented the extractive industry toward the valorization of domestic resources of available raw materials--even if they are of poorer quality and require larger investments--so as not to remain hostage to importations, and particularly to the free market, which cannot constitute a secure basis of fuel and energy supply.

One major problem raised by the supply of energy raw materials from domestic resources, is to recognize potential sources of fuels on which we can rely over a longer term, thus enabling us to develop a tooling industry and create the industrial technologies appropriate for these sources. From this standpoint, our longest range source is low grade coal, whose known reserves today can assure a production three times higher than that of 1982 for a minimum period of three decades.

Considering that the expectation for greater reserves--given our present knowledge--also refers to low grade coal, we can conclude that both geologic research and extraction activities must focus on this fuel in order to increase production to the point at which it meets all our needs for thermal power. Hence the orientations formulated by the party and state leadership, for increasing the production of lignite at a very sustained rate, through the mechanization of coal cutting, transportation, and sorting.

The experience accumulated so far in extraction, offers the possibility of anticipating early enough the problems raised by this increased production, both in mining and in machine construction, so as to produce extraction equipment as well as boilers for thermal power.

Lignite production has grown from about 14 million tons in 1970, to approximately 20 million tons in 1975, and over 27 million tons in 1980. According to the provisions of the five-year plan, 75 million tons should be extracted in 1985, with a nearly similar growth rate to be maintained for completely eliminating the use of hydrocarbons in the production of thermal power, and for sustaining the planned rate of economic development.

Solving all the problems raised by the creation of production capabilities for such growth is of course not easy, given the large amount of work involved in opening mines and pits, the complications resulting from deeper extraction, exploitation below the water table level, drainage operations, and mining at very high pressures. Only by designing and manufacturing in Romania support installations and cutting equipment appropriate for the conditions of our deposits, and by qualifying and specializing workers in coal extraction units, can we guarantee the achievement of planned production levels. At the same time, very good collaboration must be established between machine construction units and mining units, to assure the equipment necessary and appropriate for the rate of development of the planned production. Geologic research units and exploitation units are asked to devote great attention to all coal-bearing areas, so as to also valorize thin deposits with more difficult extraction conditions, as well as small open mines and pits with lower productions, but whose economic efficiency is compensated by the elimination of transportation over long distances and by the local availability of dependable sources of energy raw materials.

It is well known that the transportation of lignite over long distances is not economical, given the low caloric power and high ash content of this coal. That is exactly why we must develop the production of lignite even in small deposits with thin strata and more difficult exploitation conditions.

An extremely important problem is the burning of lignite in thermal plants without the addition of hydrocarbons. Until now, lignite burning furnaces built in Romania also used hydrocarbons (oil or gase) together with coal to support the flame; the amount of hydrocarbons is rather significant (over 15 percent), which means that the use of lignite depends on the existence of hydrocarbons, and implicitly on their importation. In other countries, this problem has been solved much better, in that hydrocarbons are used only for starting furnaces, the flame being supported by a fine powder of the lignite used for burning. Such is the case in thermal plants in Bulgaria and Greece, which burn lignite whose characteristics are similar to those of the lignite obtained in Oltenia. We must therefore improve our burning installations as well, until we can use lignite without the addition of hydrocarbons.

The recent party and state decisions seek the complete replacement of liquid hydrocarbons in the production of thermal power by 1985. To this end, in addition to the large steam and hot water boilers of 100 and 50 Gcal/h, we have designed a line of small and intermediate steam and hot water boilers which operate with lump coal of 30-80 mm granulation. Also being manufactured are fluidized bed boilers which use fine coal, and need hydrocarbons only for starting.

A lesser concern from the standpoint of large scale industrial applications, has existed in Romania about lignite gasification installations. This is because gasification reduces the general utilization yield for coal by about 30 percent through the introduction of an additional transformation. Despite this, technical processes that require thermal energy but cannot use coal as such, primarily because of the high percentage of ash, must gasify lignite and thus use gas instead of coal.

The achievement of energy independence from domestic resources means that we must provide fuels for the metallurgical industry. It is well known that at present, the metallurgical industry uses a large amount of coke to produce cast iron, coke that is imported or manufactured in domestic coking plants, using imported pitcoal mixed with washed coal from Valea Jiului. Two approaches will have to be used to solve this problem.

In the first place, all the coal produced in Romania, which can be used in coking plants, must be prepared to reduce the percent of ash to the limit imposed by the coking process. This will significantly increase the percentage of domestic pitcoal used to produce coke. Domestic coal of quality inadequate for coking, can be subjected to quality improvement techniques with additives derived from oil tar. Research conducted throughout the world and in Romania has shown that it is possible to obtain additives for poorly cokable coal from oil tar, which will improve the cokability of the coal.

The second approach to reducing the importation of cokable coal or coke, is to improve metallurgical processes and use natural gases or petroleum products (crude oil) instead of coal coke. We should point out that we are not the only country with such concerns: similar processes are already being used in some countries that import raw materials, such as Japan. Without a sustained effort to constantly upgrade technical processes so as to match them to the fuels available in Romania and reduce the consumption of energy per ton of product, we cannot reduce the total importation of fuels and achieve energy independence. Our available energy raw materials cannot cover the entire range of necessary fuels. That is why we must use new technologies to improve the quality of domestic fuels and adapt manufacturing processes to the characteristics of available fuels.

Better Valorization of Hydrocarbons

In the order of importance of our available fuels, coal is followed by oil and natural gas, which we have been exploiting since the second half of the last century, and which give us reason to be proud to have been for a long time among the few oil producing countries. Although oil came into the industrial arena much later than coal, its qualities and especially its derivatives have easily placed it in the forefront of all fuels. In the great modern industry, oil has become the raw material for plastics and synthetic fibers, is important in the rubber industry, and has led to an extraordinary development of internal combustion engines, which has brought road, railway, ship, and air transportation to unsuspected levels. In the seventh decade of our century oil is the raw material with the largest number of uses, and with exceptional implications in the social life of all countries. However, the rapidly growing demand for oil production year after year, abbruptly stopped at one point, both as a result of limited natural resources, and because of political circumstances, which instead of encouraging mankind to cooperate toward a solution, create discord for the narrow and petty economic and political interests of some countries and monopolies, and trigger a veritable energy crisis of long duration, rather than a momentary one as was believed at the beginning.

The negative conditions imposed by the oil market on most national economies devoid of this product, have led our party and state to decide to base our continued economic development on domestic oil resources, allocating massive investments to developing new underground resources both on the mainland and in the continental plateau of the Black Sea, and to assign particular importance to the extractive industry in order to reduce importations and satisfy our needs to the largest possible extent from domestic production.

In this context, the major task of drilling and extraction units in the oil sector is to assure the oil extraction level needed to satisfy domestic requirements of raw materials for the chemical industry, of petroleum products for transportation, and of oil and other products needed by other branches, which cannot be replaced with other fuels or energy sources. But while we are increasing the production of crude oil, we must find ways to totally replace petroleum products in burning processes for thermal power production, and we must economize to the utmost these products in industrial technical processes in order to fully meet our petroleum product needs from our own resources.

This policy for producing and using oil products is perfectly justified given the limited nature of resources that do not regenerate, but rather become exhausted as they are exploited. The most recent measures taken by our state leadership, to totally eliminate oil products in burning processes for thermal power production, and to replace them with coal which can fulfill the same functions (under more difficult utilization conditions, it is true), are justified first of all by the fact that coal reserves are much higher than those of crude oil, and secondly by the fact that the use of petroleum products as raw materials in the chemical industry leads to goods with much higher economic value.

Indeed, the technical level reached in the chemification of crude oil and its derivatives, imposes their complete elimination as fuels used to produce thermal power. Given the exceptional value of this raw material to the national economy, it appears necessary to mobilize all forces in geologic research to discover new oil reserves, including in very deep formations which for technical or economic reasons have been investigated very little until now, as well as in the continental plateau of the Black Sea, even if the fact that they are covered with water raises special problems both in studying and exploiting identified reserves.

The economic efficiency of current investments must not be compared to yesterday's figures; this efficiency must be evaluated against that which can be obtained through chemification. The application of improved drilling and extraction technologies, and the use of tooling and materials of high technical quality, are likely to increase the efficiency of these activities, and to counterbalance the increased costs determined by more difficult deposit conditions.

Fewer but equally valuable utilizations are found for the natural gases existing in oil deposits, or in separate locations where they are called free gases. Along with oil, natural gases are raw materials for chemistry, used to obtain products of great economic importance, and have the advantage that they are easily handled and do not produce pollution since they are nearly completely used up in manufactured products. Their use in the economy is the same as that of oil; that is why they are also not to be burned to produce thermal power, but rather directed toward the chemical industry, where they acquire a considerably higher value through processing.

The search, extraction, and utilization of natural gases is similar to that for crude oil, and we will therefore not dwell upon it.

Atomic Energy--Great Hopes

Among the energy raw materials of our times, an important role is played by uranium, the fuel for producing nuclear power. Uranium and the nuclear substances obtained from it, can release very large amounts of energy from small quantitites of material, helping procide mankind with its necessary sources of energy. Indeed, many countries, even those which have a sufficient

amount of conventional resources, have developed industrial sectors to produce electricity from nuclear energy. According to AIEA (International Agency for Atomic Energy) statistics, installed power in 1980 was 10,505 MW in USSR, 13,000 MW in France, 8862 MW in FRG, 6426 MW in England, 3700 MW in Sweden, and 1926 MW in Switzerland.

The major difficulty in producing electric power from nuclear energy is the nuclear reactor, to whose construction the metallurgical, machine construction, and chemical industries must devote special, high technology sectors for necessary materials and equipment. Romania's nuclear program has adopted natural uranium-heavy water (CANDU reactors) for its technology, making it possible to manufacture fuel elements as well as necessary tooling and equipment in this country, and is a technology which is not linked with methods whose goal is to produce nuclear weapons. The basic advantage of producing electricity from nuclear energy, is that it requires a consumption of 0.06 kg of uranium per year per 1 kW of installed power, whereas conventional fuels require 2.17 t/year (9.8 tons of lignite or 1886 cubic meters of gas); this means that the ratio of fuel that must be handled each year per 1 kW of installed power is 1/36,166, or 1 kg of uranium compared to 36,166 kg of conventional fuel.

While it is true that the production of nuclear fuel demands a very advanced technology, it is consumed in very small amounts, which makes this fuel economically competitive and offers large prospects for future use.

Geologic research conducted so far has shown that our country does not lack uranium, zirconium, and other rare metals necessary for this industry. That is why great attention is being devoted to this work, on whose results depends the nuclear program which plans to place in operation the first nuclear generator at the end of the current five-year plan. The completion of such a task compels the units of the mining, metallurgical, chemical, and machine construction ministries to mobilize all their forces to produce not only the necessary uranium, but all the other substances such as heavy water and zirconium as well, not to mention the alloys involved in the tooling and installations which assure the safe operation of nuclear plants.

The opening of nuclear power plants creates greater stability and security in the exploitation of our national power system, and offers the possibility of expanding the use of electric power into sectors of significant magnitude in the economy.

Negligible Resources? Not At All

In addition to the principal raw materials that help satisfy our fuel requirements, we cannot and must not overlook other sources, which although containing smaller amounts of heat, can contribute significantly to the supply of thermal energy of the localities and industrial sectors in the areas in which these sources can be found. For instance, the bituminous shale of Anina, and the coal of Doman, which have about 1000 Kcal/kg, can fuel electric power plants that can provide thermal power to nearby localities through thermal plant installations.

The major problem raised by the use of fuel shale is the removal and transportation of large amounts of mining products resulting from the uncovering of deposits, and the large quantities of shale that must be transported from the mine to power plants due to the small quantity of fuel substance it contains. The mining units that exploit these shales must therefore be very well organized and endowed so as to maintain a steady supply to power plants.

Moreover, power plants that use bituminous shale for fuel, must greatly improve the burning process so as to reduce to a minimum the fuel added as flame support, in other words, hydrocarbons. The first steam boiler which will use bituminous shale from Anina will be placed in operation next year. Both the mining unit and the power plant will have to make every effort for the proper operation of this plant, on which both the national system and nearby localities rely very heavily.

In seeking solutions for supplying thermal power from local and inexpensive resources, new emphasis has been placed on the large amount of thermal waters in the area of Cimpiei de Vest, which could make a large contribution to the heat supply of localities in that part of the country. A large number of deposits have been identified so far, which contain water at temperatures of 50-80 degrees C, whose exploitation can meet the heat requirements of housing areas, hothouses, and other activities of local interest around the immediate area of the sources. The amounts of thermal water uncovered by geological activities are much greater than those we are using at present. This is partly because of insufficient knowledge of exploitation and valorization technologies, and partly because of the reticence of units to examine problems associated with the use of these natural sources.

We believe that county peoples' councils, together with industrial units in the areas, assisted by technical and scientific research institutes which have studied the behavior of geothermal sources, should begin using these resources more decisively instead of hydrocarbons, which are very difficult to acquire and cannot meet the various and numerous demands being made of them.

In conclusion, it can be stated that Romania has a wide range of energy raw materials. A rational exploitation and utilization can lead to the fulfillment of the task recently outlined by the plenary session of the Central Committee of the RCP of 7-8 October, to become--by the end of the current five-year plan--a country that is energy independent.

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AREAS FOR IMPROVEMENT IN RESEARCH SECTOR EXAMINED

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[Article by Dr Victor Calcan]

[Text] In moving beyond the stage of theoretical idea, the transformation of science into a direct production force, and that of production into a technical application of science, have become realities throughout the world, thus materializing one of the essential qualitative changes in the development of scientific and technologic knowledge. At the same time, the concentration in research and development, of an increasingly large volume of human and material resources, often of industrial magnitude, has allowed a substantial acceleration of research processes and a spectacular reduction in the time between the moment of scientific discovery and its incorporation into practical achievements. In other words, it can be said that the rate at which humanity is advancing toward the future, toward increasingly higher levels of progress and civilization, is incomparably faster than at any previous period. These considerations clearly indicate the appearance of new kinds of relationships between science and the economy, as well as the increasingly deeper penetration of science into the political sphere and of politics into the scientific sphere. Consequently, the exceptionally complex problem of technologic and scientific innovation and its implications, figures prominently among the highest responsibility concerns of political and economic decision factors in all countries.

Starting with the decisive role of science and technology in fulfilling the vast program for our country's socioeconomic development, the party and state leadership is devoting particular attention to the development of a strong research and development potential. The large contribution of domestic design can be found in the sustained effort to transform Romania into a country with an advanced economy, based on an industry capable of satisfying about 80 percent of the domestic demand for machines, tooling, and installations, an industry which today produces 48 times more than in 1938. In terms of accumulated material goods, the national wealth currently amounts to 3400 billion lei, of which 2100 billion lei represents fixed assets. The minds of our researchers and designers have conceived and planned large hydroelectric plants and industrial sites, the Danube-Black Sea Canal, and the thousands of other objectives that cover our country.

The application of scientific research results has contributed substantially to the creation of new products and technologies, to the superior valorization of raw materials, other materials, and energy sources, and to the general improvement of economic efficiency. During 1981 alone, more than 2500 types of machines, tools, instruments, and installations, as well as about 900 materials and consumer products were brought into fabrication, and more that 750 technologies were applied in production, with greater attention being given to the introduction of new systems of mechanization and automation, and to the extension of existing ones.

As a result, the proportion of new and redesigned products introduced in production last year, represented 18 percent of the total volume of goods produced in the national processing industry, compared to the planned level of 12 percent. Also notable was the contribution of fundamental research to mathematics, physics, chemistry, and biology, as well as that of the economic and political sciences to the achievement of technologic development objectives, the introduction of technical progress, and the development of the economy as a whole.

The continued policy of industrialization, defined in the orientations and priorities established by the 12th Congress of the RCP, faces scientific research with new demands and responsibilities that are natural consequences of our economy's entrance into a phase of intensive development, and of the need to achieve with our own strength, a new and superior quality in all areas.

Efficient Use of Research Potential

The strategy for technical and scientific innovation is clearly formulated in the Program-Directive for Scientific Research, Technologic Development, and Introduction of Technical Progress During the 1981-1990 Period, and for Major Guidelines Up To the Year 2000--which includes more than 3000 objectives, of which 2500 in the sphere of material production--and in the Program-Directive for Research and Development in Energy During the 1981-1990 Period, and Forward to the Year 2000. The orientations established in these program-directives are actualized in a number of special programs for nuclear power, new and reusable sources of energy, synthetic fuels, the valorization of ores with low content of useful substances, economic utilization of recoverable and reusable materials, reduced consumption of raw and other materials, fuels, and energy, elimination of technologic losses, and so on.

The essential feature of all these programs is "social control," the options and priorities that are established being derived from requirements and demands for long range socioeconomic development, and their fulfillment strongly relying on our available forces, our own intelligence, and on available material resources.

Thus is established a long term, realistic, and soundly based concept, that must be rigorously reflected in annual and five-year plans through concrete research and development objectives, while the schedules provided in plans

must be strictly respected. At the same time, it is essential that short term needs not be neglected for long term concerns, and conversely, that immediate tasks not be considered absolute at the expense of long term objectives.

Despite all the good results that have been mentioned--and which testify to Romania's technical and scientific genius--a number of shortcomings have manifested themselves, whose elimination imposes first of all an effort to change mentalities throughout the research-design-production chain, so as to involve more strongly the research and development potential and to valorize more efficiently our own technical and scientific creativity.

As shown in the speech of the secretary general, Nicolae Ceausescu, at the recent plenary session of the Central Commitee of the RCP, in order to complete under optimum conditions the important tasks in industry, agriculture, and other branches of the national economy, it is imperative to act more firmly in properly carrying out research activities, so as to solve more rapidly the complex problems of our socialist industry in raw and other materials, technologies, and the introduction of technical progress into production.

In the energy field for instance, which has absolute priority in Romania and many other countries, delays persist in the practical utilization of new and reusable sources of power, such as biomass, or solar, wind, wave, geothermal, and other energies. Among these new sources, solar power offers an immediate practical value: the amount of primary energy that must be saved in 1985 through the valorization of solar power, is estimated at 260,000 tons of conventional fuel (cc). In other words, this eliminates in 1985 the importation of an amount of oil whose value is about 50 million dollars. Yet, at the beginning of solar collector fabrication, the Enterprise for Equipment and Accessories of Alexandria, a specialized national enterprise, produced a type of collector that had low reliability and a non-competitive technical and economic performance. Five years of successive attempts and improvements were needed to create and adopt a new type of improved collector, with better performance and higher reliability. The new type of solar collector increases the energy contribution from 120 to 169 kg of cc/year, and reduces the price from 1769 to 1450 lei. It must be remembered however, that any delay in completing such installations, and any defects in their operation, lead to changes in fuel balances which are ultimately expressed in energy shortages.

At the same time, it is necessary to strengthen the collaboration between research and education, and between research and production, experience having shown that when strict collaboration does exist, problems of great scientific and technical importance are solved rapidly and efficiently.

In some cases, because of an insufficiently steady concern for modernizing production, and the lack of continued collaboration with research, industrial units fail to define concrete problems for scientific research and technical development that are of primordial interest to them, so that these problems may be studied in time. This leads to abnormal situations in which preparations for the fabrication of a product are made during the very year,

or even quarter, in which the product has to be manufactured. Although "product" research must be pursued as a steady process, and concern for constant product improvement must start at the same time as its mass production, many years sometimes pass while products becomes old and their modernization becomes an urgent problem. As a result, instead of optimized, judiciously prepared solutions, the solutions that are accepted are formulated under crisis.

In other cases, the fear of risk on the part of industry leads to the formulation of minor research and development objectives. This fear of risk, which in fact also hides an unjustified lack of confidence in our own strength, diverts the designers' potential from the true problems of research and development, and results in a non-rational utilization of the efforts of researchers and designers. The converse situation also exists, in which some units of scientific research and technical engineering hesitate to become responsible for more difficult and riskier problems, ultimately leading to the importation of intelligence.

Any scientific research, technical study, or execution project is efficient only if it satisfies in time and under optimum economic conditions the needs that have created it, and if it reduces to a minimum the duration of the entire research-design-production cycle. However, the reality is that in some cases, research or design takes much longer than allowed, and the road to production is long and hard, with years sometimes elapsing between the formulation of a technology or project and its effective practical application.

Similarly, insufficient fundamentality in investment execution designs, generates changes during the actual project and unjustifiably increases its cost. This has happened for instance with the project formulated by the Institute for Construction Studies and Designs in Agriculture and the Food Industry (IPSCAIA) for the cattle raising installation at the Fundulea Agricultural Production Cooperative. The construction of a cattle barn alone (72 m long, 23 m wide, and 5.7 m high at the peak) used 2800 t of cement, with the roof weighing about 300 tons. In 1978, nearly two years after the beginning of the project, it was decided to discontinue the work and use other technical and construction solutions (replacing the waste removal system, modifying doors, changing locations, and so on), solutions which replaced a custom design with a standard one, the value of the investment increasing by about 3 million lei.

As a result of these modifications, a certain amount of purchased equipment was abandoned and other equipment was contracted, thus postponing for another year the operation of the investment. Finally, instead of a combination of simple and efficient constructions, the installation planned by IPSCAIA requires large consumptions of fuel and electricity to harvest, transport, and prepare about 16,000 tons of fodder per year.

Understandably, such negative and isolated situations do not raise doubts about the professional capabilities, competence, and experience of our specialists in scientific research and technical engineering, whose

contribution to the country's social and economic development is unquestionable. But the elimination of shortcomings, however isolated, is imperative in order to move to a new, superior quality in the entire research and development activity.

Courage to Innovate, Effectiveness, and Greater Responsibility

We mentioned earlier that a change in mentality is needed throughout the research-design-production chain, a change to which the mechanism of organizational and economic leverages can and must contribute.

Starting with the need to accelerate the introduction of technical and scientific progress throughout the economy, the absolute value of the fund for new technology has grown every year. But what is happening to the relative value of this fund? While in 1975, the fund for new technology at the Ministry of the Machine Building Industry reached 2.5 percent of the cost value of achieved production, it dropped and fluctuated around 1.1 percent in subsequent years. A similar phenomenon was noted at the Ministry of the Metallurgical Industry. Among the causes for these changes is the insufficient interest in some economic units to fully use established new technology funds, as a result of which the responsible agencies limit these funds in subsequent years. But the truth is that the money in new technology funds that is not spent today results in losses tomorrow.

Another cause is the effort made for various research and development activities. Until now, attention was focused mostly on fundamental research and applied research, as well as on branch research, but not as much on the manner in which research and development was allocated to products, materials, and technologies. Scientific research and technical development generate renewal--in a counter-offensive against the old and outdated--not only in products, but in materials and technologies as well. A large number of new materials such as uranium, titanium, zirconium, tantalum, and silicon, high power magnetic materials, optical fibers, composites, carbon fibers, and so on, as well as fundamental changes in the conventional technologic structure, have made it possible to conceive and fabricate new products, and have opened new fields of science and technology (nuclear energy, aeronautics, microelectronics, and so on), fields which currently support the major economic competition in the world.

Uranium for instance, a new type of fuel which has revolutionized power generation throughout the world, was considered in the past as a practically useless metal solely of laboratory interest. If a technologic explosion of the same magnitude as the one that has taken place in electronics in recent years, had also occurred in the automobile industry, it would be possible to cover 500,000 km at 500 km/h on a single liter of gasoline, a situation which would have fundamentally simplified the fuel problem. In the same sense, looking toward the future, it can be stated that the development of biotechnology will completely change the present foundations of the food supply system and will profoundly restructure animal raising. For instance, while a 500 kg steer can "manufacture" 500 g of protein per day, the same quantity of bacteria can produce 5 tons of protein per day.

That is why we believe that product research in our country still outweighs research into materials and technologies, and that this ratio must be reversed. Technical research and technical engineering are required to formulate solutions so that production will be rational and economic, meaning that it will will mre goods with minimum amouts of material, energy, and manpower costs, through a practically complete valorization of each ton of raw and other processed material, the utilization of all technologic products, improved technical processes, rationalized production schedules, reduced consumption, and total recovery of energy, heat, and fuel resources. There is a need for technologies based on raw and other materials which are available to us, and not for solutions which require importations of these materials. At the same time it is imperative that technologies be considered as completely formulated only when they provide solutions for the economic valorization of all technologic subproducts and of the recoverable energy.

As an illustration of the cost of underestimating or failing to consider technical aspects at the proper time, it is notable that the creation of microprocessors and microelectronics found even a number of developed European countries technically unprepared, which has allowed American companies to establish a practical technologic monopoly on these products. In order to acquire a marketable technology, England and France had to each pay about one billion dollars.

In terms of products, criticism has repeatedly been leveled at the fact that along with high performance products, production continues on old products with outdated technical and economic specifications, the decision being reached that research and design units should begin redesigning them so as to reduce their weight, aiming at lower consumptions of material and energy as well as better functionality, technical performances, and product quality. This means that on the basis of sound technical and economic analysis of each product, only products that are low material consumers and that are valuable on foreign markets are to be introduced or maintained in production.

At the same time, a stronger orientation is necessary toward high technology products which incorporate the largest amounts of technical design, since it is known that the price of equipment increases as a function of technology and complexity. For instance, while the price of relatively simple technical equipment, such as is used for foundries, stamping, and machining, is 80,000-90,000 lei/t, the price for metal processing equipment using unconventional methods increases to more than 500,000 lei/t, and reaches 1 million lei/t for electronic and fine machining equipment. In some cases, the price of sophisticated equipment exceeds the price of its weight in gold.

Generally speaking, the predominant reason for scientific research is not to adopt the things done by others, but to create materials, technologies, and products that are truly new. It is therefore essential for the technologic creation process to result not in any type of new goods, but in those new ideas that offer high competitiveness and can be implemented in the economy. Only by adopting such a profoundly active and innovative mentality can we assure the superior valorization of the huge and inexhaustible resource that is the human mind.

Qualitative changes in materials, technologies, and equipment also influence the manpower structure by creating a substantial proportion of scientific and technical activities in the overall activities of system. At the Swedish stainless steel enterprise Avesta, for instance, which is endowed with high technology equipment, a production of about 240,000 t/year is achieved with only nine shift workers, while the design, laboratory, maintenance, and distribution activities require about 2700 employees.

Mass Scientific Creation and Technology

A significant contribution to the sustained promotion of technical and scientific progress in all branches of the economy is made by mass scientific creativity and technology. It is notable that at the last Song of Romania national festival, more than 3 million persons participated in this activity, solving--under the guidance of specialists from central institutes, science academies, and specialized research universities--more than 270,000 problems of scientific research and technologic innovation. These have resulted in significant production increases, a substantial reduction of importations, and greater exports.

The highly creative spirit of our people is illustrated by the fact that Romania is 16th in the world in the number of patent applications, with over 16,000 such applications being having been made by Romanians during the 1976-1980 period. In terms of economic efficiency, it is notable that during 1981 at the Brasov Truck Enterprise, for instance, an average return of 30 lei was obtained per leu spent on inventions and applied innovations.

However, a more thorough examination of the achievements and possibilities in this area discloses the existence of huge resources that are waiting to be used. For instance, the number of patent applications filed during the 1976-1980 period have decreased from year to year, from 4560 applications in 1976, to 3297 requests in 1980. According to some calculations, only about 45 percent of all the patents granted are being implemented, demonstrating an insufficient concern for the practical use of patented solutions; moreover, about 2000 invention patents which have been implemented for some time, have not been expanded to their full scope. As to the number of inventions per one hundred completed scientific research project, the figure is between 9 and 20 percent in our country, whereas a ratio of 30 percent is considered unsatisfactory in developed nations.

A radical change is also imperative in the attitude toward inventions that win prizes at various international events. Raising the prestige of Romanian technical and scientific creativity to the high levels of gold and silver medals, these inventions open new avenues not only for the exportation of products, but also for the exportation of intelligence, which is the most expensive product being traded today on the world market. Absolute priority should be granted to all inventions that win prizes at international events, that are in demand, and that offer exportation possibilities.

The need is therefore being felt to find new and more varied activities to assure greater effectiveness in the introduction of technical and scientific creativity results into production, in expanding and generalizing these results, in simplifying formalities for registering and applying inventions and innovations, in improving the system of technical and scientific information, and so on. The formulation of these new ways and means must not overlook a truth that has been confirmed by experience, which is that a true innovator is the one who believes possible that which all others often consider impossible.

Transfering to Production the Results of Scientific Research and Technical Engineering

During the debate on Requirements in Relations Between Scientific Research and Production (see ERA SOCIALISTA, Nos 12 and 13/1980), organized by ERA SOCIALISTA, a number of participants pointed out that in-plant research is often conducted not in an organized manner, but under fire, driven by the urgent demands of production. At the same time, it was stressed that scientific research must develop not only in specialized units or higher education institutes, but also in direct production units, and that a so-called interface must exist in these units so that any research conducted on the outside can become available and be adapted to new requirements generated by applications. In general, it was agreed that the technical and competence advantage of an enterprise is directly proportional to its interest in developing its own research facilities and in collaborating in an organized manner with research units.

There are also situations in which dialog and collaboration among research, designing, and production assumes very curious forms. Some scientific research and technical engineering subsidiaries which are located within enterprises for which they conduct exclusive projects, and whose designing services they provide in practice, can nevertheless not carry out a dialog with these very enterprises except through the intermediary of the research institutes or centers under whose jurisdiction they operate, and which often are located hundreds of kilometers away.

Experience has shown that the effective application of the results of scientific research and technical engineering imposes the need for enterprises to be prepared in time to implement new findings; the research-design-production cycle can retain its desired continuity only if the links of this chain are constantly in contact through bridges that allow flow in both directions--from research to production and conversely from production to research--and are capable of accepting and transmitting efforts, even when the chain is subjected to maximum strain.

It therefore appears natural when science is con[illegible]d as a direct production force, that enterprises have wherever justified, [illegible] own departments of scientific research and technical engineering. In addition to specific in-plant research projects, these departments should adopt and implement the solutions formulated by specialized research units, thus assuring a rapid rate

of technologic transfer. In this way it would be possible to fulfill at a superior level the functions of enterprises in scientific research, technical engineering, and introduction of technologic progress, functions stipulated in Law No 5/1978 regarding the organization and management of state socialist units, as well as their operation on the basis of workers' self-management and economic-financial self-administration.

In fulfilling the goals presented here, it is imperative that the mechanism of organizational and economic leverage operate effectively both upstream and downstream. Upstream, by discontinuing the introduction in production of goods that do not meet standards of economy, reliability, and competitiveness, and by forbidding the practical application of low efficiency technologies; downstream, by strictly and progressively discouraging the continued fabrication of products that are outdated or that are costly and return low profits, as well as the use of outdated production technologies.

The measurement of economic-financial results for production units must be much more closely related to the proportion of production achieved on the basis of domestic design, to the proportion of new or improved products or technologies, to indicators of technical progress and quality, and to compliance with established schedules. The law in fact stipulates that the production of units which cannot cover their expenses and cannot obtain profits must be stopped, so that unprofitable production activities will be completely eliminated.

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METHODS FOR IMPROVING PLANNING PROCESS CONSIDERED

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[Article by Stefan Arsene]

[Text] The tremendous growth of the Romanian economy in the years of socialist construction is also based on its planned management, on the foundation of the principle of democratic centralism, formulation, based on a uniform concept, scientifically substantiated by our communist party, of the annual and five-year plans, and also of the projections for the various areas on a long-range basis. The scientific basis of planning activity stems from knowledge and rational use of the objective laws of economic and social progress, the increasingly thorough study of national realities, of the potentialities and needs of our society, viewed in their dynamics, and the international economic and political context in its continuous evolution.

Of course, like any societal activity, planning also can be constantly improved and adapted to new conditions and requirements. That is why the upgrading of the organization, planning and management of the national economy, of all society involves an area of permanent concerns of our party and state. Their importance was again emphasized in the address of Nicolae Ceausescu at the October 1982 plenary session of the CC of the RCP. Naturally, involved in seeking the best approaches are experts in various fields, but perhaps to the greatest extent, the economists.

The economy involves a dynamic, extremely complex system, made up of many components in close interaction and integration through many direct and inverse connections, generated by the material, energy, financial, manpower and informational flows. In this context, the development of economic activity involves the existence of an individual regulation and self-regulation mechanism to principally resolve the optimization of the overall activity of branches, units and other components of the system, in compliance with the action of economic laws, with the goals pursued, with the restrictions imposed by specific conditions and, also, to permit the achievement of unified operation of the different factors in the national economic system.

In the capitalist economy, the regulation and self-regulation mechanism, based on the law of value and action of the market, has a spontaneous character. Historically it has been demonstrated that this mechanism cannot resolve the problems of balance without cyclic or noncyclic crises, of greater or lesser magnitude, without redistributions of the resources of raw materials and energy and of outlets by force or by subjugation or economic pressure. Moreover, in the context of the antagonistic

contradictions between classes, just as between capitalist enterprises, the unity of will of economic factors and the focusing of resources on common goals cannot, as a rule, be achieved. The regulation factors introduced by modern capitalism did not and cannot succeed -- in light of the maintenance of the causes that generate them -- in eliminating the essential, antagonistic contradictions that characterize the system, the social order.

In the context of fundamentally different premises, in socialist society regulation and self-regulation of economic phenomena become necessary and possible, by a conscious and anticipated process of planned management of socioeconomic development, in accordance with the objective needs, with the deliberate action of the working masses, united by unified will and shared fundamental interests. Planning becomes the principal method of management by which the optimality of the system of the national economy is controlled in a unified manner, and the uniform national plan -- the general expression of the shaping of socioeconomic development.

The cybernetic handling of the economic system, in correlation with the other systems -- social, technical, natural -- provides the prospect for the scientific substantiation of the mechanism of operation of socialist economy, for the purpose of regulation and self-regulation according to the specific conditions of the different stages which society covers. Of course, the socialist society, also, is not devoid of contradictions, some of them stemming, objectively, from the existence of some partially contradictory economic interests, which produce different reactions of the economic factors, other ones that are subjective, because of insufficient knowledge, some errors, shortcomings and deficiencies, some inadequate solutions and methods. But these nonantagonistic contradictions can not only be perceived, but also, due to their nature, reduced and even eliminated. "The dialectical law of the struggle of contraries, the contradictions," Nicolae Ceausescu stated ,"also manifests itself under socialism and will, undoubtedly manifest itself, in one form or another, in the communist society. Contradictions exist and will continue to appear in any society. They can be resolved not by an attitude of denial, but by study and comprehension of the causes that generate them and, on this basis, by conscious action to do away with the old states of affairs and boldly promote the new."

The cybernetic system of the national economy has a dynamic character, as a result of the modification, in time, of its connections, emanating from its internal relationships and also from interaction with the outside environment, a dynamism through which the system needs to improve the possibilities of adaptation, of stability, the parameters, structure and efficiency and, by and large, its entire mechanism. In the context of modern production and of the technical-scientific revolution, in which the internal and external connections of the economic system and its subsystems are becoming more and more complex, their dynamic stability decisively hinges on the increasingly higher degree of organization and adaptation of the elements of the system and subsystems. The upgrading of economic management, in the final analysis, precisely involves perceiving this dynamics and introducing the new for the purpose of ensuring a behavior of the system that assures the achievement of the goals set.

One of the problems of management at the macro- and especially micro-economic level that need to be better resolved in the future, in the context of the new requirements, of Romania's transition to a higher stage of development, involves the

relation between planning and self-regulation, a relation that dons aspects pertaining to the overall application of the new economic-financial mechanism, the continuous broadening of democratism, in general, and of economic democratism, in particular.

As was shown, the adjustment and upgrading of the economy (viewed as a cybernetic system) to meet the specific needs and requirements of each stage of development occur in the socialist economy by regulation of the system by means of planning and also by self-regulation. It is known that the cybernetic systems have inverse connections that have a determining role in their regulation and self-regulation. The inverse connection represents the action of the results of economic processes and phenomena on their subsequent behavior through the economic factors, an action that involves regulation and self-regulation. In the context of the action of the law of planned, proportional development, the results are not limited only to the past, but also to their projection in a specific future time horizon, both by the adjusted extrapollation of the trends of the prior period and by the introduction of some desirable, optional and regulatory elements.

For the purpose of drawing some conclusions on the relation between planning and self-regulation, we need to examine this relation at two points: formulation of the plan and implementation of the plan.

At the first point, planning involves a combined process of regulation and self-regulation, the input information of plan formulation is provided by the results of the implementation of the plan in the prior period, by the level and structure of the national assets, by the comparison between the stage reached nationally in terms of quantity and quality and the stage reached in economically developed countries, by the spotlighting of the positive facets of economic growth that ought to operate on an overall scale and of the bottlenecks, the contradictions and the negative facets that must be eliminated. by the information on the conditions on a world scale and the foreseeable evolution involved, by the objectives which society has set to itself, by the optimization criteria established, and so forth. The output information involves several plan variants, from among which the optimal one must be determined, that is the one that leads quicker and with minimum effort to the objectives pursued.

Considering that the forecast represents the result of a double inverse connection, of prior results and of the objectives set to be achieved, for its substantiation (specifically for the long-range forecast) it is necessary to have a concomitant approach from two directions, which should underlie the guidelines and regulations that are transmitted to the plan coordinators for the formulation of the preliminary drafts. One (regulatory) direction, in which the start is from the fundamental aim -- improvement of the standard of living -- pursued for achievement in the context of any forecast, determining the quantitative, qualitative and structural levels of the economic development required, and another (exploratory) direction whose start involves the resources and the existing level of development and also the trends which take shape, determining the economic growth that could be obtained in the context of the forecast, from which also result the limits in which the fundamental goal can be achieved. The analysis of the results obtained by this double approach, the adaptation and combination of the various elements contained in the two kinds of prospective research may be instrumental in the scientific substantiation

of the forecast, in solidifying the realistic nature of the forecast, in adequate grasping of the needs -- the propelling factor of the development of human society -- correlated to the possibilities for meeting them, in finalizing the objectives to be achieved and in adopting the strategy to follow for achievement of the objectives involved.

The formulation of the plan also poses the problem of the most correct possible intertwining of the various categories of interests, of the relation between the overall system and the component subsystems (for the various plan coordinators), the integration of partial optimals into the overal one. In this connection, practice in time and space -- here and in other socialist countries -- has involved different ways of solution, and we list some of them.

A first way involved centralized formulation of the plan, with consultation of the executants, but without their formulating their own draft plans. This approach also resulted in inadequate participation of those who must implement the plan in determining the needs and resources, in mobilization of reserves, and also in the manifestation of many contradictions of interests, in the first place scant material incentives for their units and workers in fulfillment of the provisions.

Another way involved formulation of the plan "from bottom to top," the overall forecast attempting to represent a sum-up of the proposals of the various plan coordinators. The chief drawback involved the impossibility of formulating a uniform, coordinated overall plan, that would focus the resources on the basic objectives of countrywide importance. The elimination of the great discrepancies that resulted from the proposals of the units actually required abandonment of this way and centralized determination of the plan parameters, a fact that actually meant switching to the first way.

The approaches adopted also included the one that involved centralized formulation of the plan, including, specifically, global, general indicators, but which is not itemized as mandatory directive or involves only a few itemized resultant and very general indicators. The directioning of the activity of enterprises toward implementation of priority objectives is specifically achieved through utilization of economic leverages. The units formulate their own plans, guided by the overall plan, but without the implementation of these plans representing a guarantee for the fulfillment of the countrywide plan. This helps to primarily promote the group interests, that may take directions that are contrary to present and long-range ones of all society.

In recent years, in this country, a way that has asserted itself by the solidity of the concept and the positive practical results involves formulating on a central level an overal framework of development for the 5 subsequent years which expreses the general needs, the social requirement, and which is itemized for the various plan coordinators in the form of guidelines and regulations. These guidelines incorporate the essential effects that are pursued to be obtained (production, marketing of goods, export, and so forth), the basic resources (material, financial, foreign currency, work force) which are available, and also efficiency standards for utilization of these resources. Proceeding from these guidelines, the units formulate their own plans, which are coordinated in a uniform national plan and reflect the priority overall interests and the interests of enterprises. The output

information, in the form of plan indicators, takes on the character of mandatory directive. As for the number of plan indicators used, this depends on conditions existing in the economy and on the concept that underlies the economic mechanism. In regard to conditions, it is noteworthy that the swifter the development rate and the resources of society in shorter supply, the greater the number of indicators that must express numerous options and priorities. The basic problems involve the share given to direct management, under the plan, and to indirect management, by means of the economic-financial factors, and also the relation between the plan and worker self-administration, combined with economic-financial self-management.

In line with the concept of the Romanian Communist Party, the resolution of the basic problems of socioeconomic development cannot be achieved only by utilization of the economic leverages and incentives. Without the existence of direct planning that concretizes the goals, directions, rates, proportions and efficiency of socioeconomic development, which integrates the activity of each unit, society may take a course that counters the overall interests. The utilization of indirect management methods only may mean wasting efforts, focusing them on needs of lesser importance, slower rates, lower overall efficiency, and imbalances.

Moreover, objectively manifesting itself is the need for better and better utilization of economic incentives, which represent stimuli to action, a means of blending overall material incentives, provided by the plan objectives, with group and individual incentives, provided by means of economic leverages. The processes of planned regulation and self-regulation, as expressions of the overall interest, must be backed by incentives, that is by the action of the specific tools, the economic-financial leverages. There is direct linkage between the size of the incentives, on the one hand, and the speed and intensity in obtaining the anticipated results, on the other hand. Furthermore, it cannot be ignored that there are limits of efficiency and equity that cannot be omitted in determining the size of the incentives.

As for the material incentives for units and working people, in the context of increasing economic efficiency, of great significance is the volume of incomes obtained from remuneration and those obtained from the profit sharing fund. Remuneration mostly reflects the working people's quality as makers, while sharing in profits mostly reflects the quality as owners of the means of production. The former encourages individual behavior at the point of production. The latter must be an incentive for every worker in the activity of all the collective. The unsatisfactory work of some must be regarded increasingly as a loss to one's own pocket. In this context, the following approach should also be studied: within the framework of the planned increase in incomes, a greater portion should be earmarked for the profit sharing fund, so that the rise in the volume of this fund in the total incomes may result in greater material incentives for higher efficiency in each individual unit.

The above indicates t[illegible] resolution of the problem involves upgrading both facets of direct and in[illegible]nagement, of planning and of economic and financial leverages, enhanced role [illegible]niform leadership, concomitantly with that of self-administration and self-management. And it must be stated that this is precisely what the party leadership and Nicolae Ceausescu himself have emphasized on many occasions.

According to the concept of our party on the perfectible character of the forms and methods of management and the enhancement of economic democratism, we assess that the current procedure of formulating the plan, which was described above, could be upgraded in several areas. For the purpose of working people, in their triple capacity, being able to provide a greater input into the substantiation and shaping of decisions, it would be advisable to have the overall framework of socioeconomic development worked out by the state synthesis bodies in several variants to be submitted for broad discussion, accompanied by description of the ramifications, advantages and disadvantages which each variant involves. The endorsement of the final variant, in the form of directives should proceed after conclusions from this discussion were drawn. Moreover, the breakdown of guidelines and regulations for the various plan coordinators should, in the first stage, involve the form of draft to be submitted for discussion to the representatives of working people councils for the various ministries and branches after the draft involved was discussed in each unit. This would assure better and more balanced assignment of guidelines and regulations and, also, the selection of the best methods and approaches for implementation.

Furthermore, we assess that also necessary would be improvements in the system of plan indicators, which we shall discuss subsequently.

On the second point of the relation between planning and self-regulation, we must emphasize that in the stage of implementation of the plan the inverse connection takes effect, primarily, by formulation of the annual, current plans, which update and upgrade the provisions for the year involved under the five-year plan on the basis of the results obtained on a preliminary basis and of the new elements inside and outside the system that have appeared down the line. The balance of the current annual plan is achieved if in practice it produces needs and resources at the level of those considered on its formulation. The safety condition of the production process anticipated depends on the level and structure of the reserves ensured. Knowing that the greater the chain of cooperations among units, the lesser safety is and that the concentration of units results in greater safety of the production process only if deficiencies stem from shortcomings in the organization of production and work, for the purpose of increasing safety conditions it would be worth studying the possibility of gradually creating reserves, in amounts determined scientifically, on mathematical bases, by comparing the cost of reserves and the cost of the probable breakdown of the system, in the absence of these reserves.

As for the adaptation and upgrading of the economic system during the implementation of the plan, this self-regulation, in terms of the forms it assumes, can be grouped in several categories.

The first category involves self-regulation where units can change certain parameters of the activity, but only for rigid compliance with the plan indicators. A general and, of course, simplified description of the situation is the following: a. The units purchase the raw materials, supplies, fuel, energy and the like, turn out and deliver the products obtained almost exclusively in compliance with the provisions of the production plan, the plan for technical-material supply and the delivery plan; b. Investments are achieved to a small extent from the units' own funds, to the greatest extent they are provided from the budget; c. The plan coordinators can by no means change the remuneration fund or the amount of the circulating assets; d. They are only concerned with changing the parameters of daily production in accordance with the plan requirements; e. The matters of technical progress, turning

out of goods, efficiency and profitability of production concern them only in the context of the plan indicators.

In cybernetic language, the inputs of such a system involve the plan, and the outputs, the implementation of the plan. The inverse connection is achieved directly only by the operative measures that are taken for the attainment of the plan indicators. Overfulfillment of the plan, within limits also determined by the plan or by other regulatory acts, or nonfulfillment of the plan almost completely impacts on the overall system and to a lesser degree on the unit (the subsystem). Hence, the unit is actually insulated from outside influences, including the economic action of realization of products. Departures from the plan indicators provide the only possible disruption of the unit's condition of balance.

The second category involves self-regulation where units acquire the right, within certain limits, to correct their production plan and the proportions between various economic funds. Hence, the enterprises have the latitude of option and decision, in the context of several possible conducts, without significantly affecting the levels and patterns of the information of input (of the plan), a fact which under the conditions of expanded specialization and cooperation and of interdependence of units enhances their degree of stability. The "inputs" of such a system principally involve the plan, alongside which operate the internal and external contracts cocluded, and, during the implementation of the plan, elements generated by influences outside the unit. The inverse connection is achieved by the measures of adaptation, within the limits approved, of the plan in relation to the influences pointed out.

The third category involves self-regulation where the enterprises may accomplish the above limitlessly, having the right to act totally independently, being responsible only to themselves.

In practice, there is no categorical demarcation between these forms, they interpenetrate and this produces other intermediate categories. In assessing the various forms of self-regulation, however, we must primarily take into consideration the fact that the maintenance of the balance of each enterprise is not a sufficient condition for ensuring the overall balance of the economy. Furthermore, there was no demonstration in practice of the pssibility of achieving longer-term balances of subsystems outside of the overall balance; without integration in the overall balance, the balance of some subsystems is sometimes achieved at the expense of the imbalance of other subsystems, more or less affecting the overall development.

Moreover the fact must be taken into consideration that during the implementation of the plan factors may step into the picture that require adaptation of the plan. These adaptations may be classified into two groups: the large-scale ones, which impact on the levels and structures of the overall system, and the minor ones, that do not essentially modify these parameters. Of course, the first-mentioned cannot be left to the latitude of units. They necessitate major decisions of the top-level factors that approved the plan. In the second case, of minor adaptations, but which are very numerous in practice, centralized resolution at least has the following effects: it lengthens the route which information must cover from the lower echelons to the one with decison-making right; along this route information becomes general, partly loses its specific character, and even may undergo distortions; because the decision-making body has a limited capacity of processing data and, hence, of deciding, the need appears for a waiting period, which adds to the period required for covering

the route of information "to the top" and "to the bottom;" in this context, the decision may come too late, becoming devoid of object after the situation has become irreversible, and this sometimes causes, because of the violation of legal discipline, of powers and authorities, the making of local decisions, a fact which in principle, but also in practice, is inadmissible.

Hence, it follows that the optimal demarcation of decison-making powers also includes the approach to adequate handling of self-regulation during the process of plan implementation. We believe that a procedure that would enhance the capacity of adaptation to the new factors which step into the picture would involve, on the one hand, approval of the plan in two limits, with the resources being assigned at the minimal limit, and the difference being transferred to reserves that may be used from that limit to the upper one, and, on the other hand, raising of the level of plan indicators in the form of standards and provisions which are more flexible that the absolute, more rigid, indicators.

Furthermore, proceeding from the requirements of economic-financial self-management, of attainment of plan indicators and of fulfillment of contracts concluded, with the concomitant ensuring of maximized net income, for the increase in the national assets and of the enterprises' own funds, we believe that there is the need for introducing the "net income" great-synthesis value indicator that incorporates the elements which fall into this category: profit, the tax on trade, assignment for society of a part of the net output. It is significant that the net income exclusively reflects the effect of activity while the other value indicators also incorporate, to a greater or lesser degree, the efforts made to obtain the effect, impelling the units not only to maximize the effects but also the efforts involved in this indicator. Experience has shown that the profit indicator alone does not resolve this need. It not only incompletely reflects the effect of the activity, often lesser than that of the other components of net income, but sometimes may guide production toward products with greater profit but with a smaller total net income, and this may be to the benefit of the unit but to the detriment of society.

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ESSENTIALS FOR GROWTH OF SMALL-SCALE INDUSTRY

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/Article by Iulian Plostinaru, chairman of the Committee on People's Councils Problems: "Small-Scale Industry and Services To Meet the Demands of Economic Growth"/

/Text/ Nicolae Ceausescu said, "In the spirit of workers self-management and economic-financial self-administration, the people's councils must fully perform their functions for the efficiency of industrial activity in both the national units and the local small-industry units, for rallying the masses of workers to exemplary plan fulfillment, and for enhancing their contribution to prompt solution of the problems in connection with the best operation of all enterprises."

Small and artisan industry qualifies as a very promising and increasingly important activity in the process of Romania's socioeconomic development, since it is the one that favors economic circulation and highly effective exploitation of many local material and raw material resources and accordingly supplies a wide variety of products essential to the national economy and the public. Pursuant to the decisions of the 12th Party Congress, alongside modernization and development of highly technical large-scale industry small and artisan industry is being promoted on an increasingly wide scale in order to carry on activities supplementing those in large-scale industry, to meet some major market demands for consumer and household goods, to exploit the local raw material, energy and manpower resources, and to aid agriculture by stabilizing the rural labor force and socioeconomic development of rural communities. In describing the particular role of small industry, Nicolae Ceausescu said in his speech at the Second Congress of People's Councils that we shall reach a per capita output of 5,000-6,000 lei in a relatively short time. Of course the main practical problems of developing small industry exceed the bounds of one article. An extensive discussion is required if the various aspects are to be considered, such as small industry's role in production of goods and services for the domestic and foreign markets, exploitation of the various resources available on the national and local levels, organization and operation of this sector to apply the new economic-financial mechanism, relations with the big industrial units, the units' geographic distribution and structure, etc. In this article we intend to

take up some of the main problems that clearly require new opinions and suggestions in order to find new solutions and mark out specific courses of action in order to carry out the schedules task of considerably increasing small industry's share in the gross industrial output and its role in qualitative development of the national economy and improvement of the people's standard of civilization and comfort.

Creation of large-scale industry obviously made a decisive contribution to the modernization and rapid development of the whole national economy by permitting introduction of technical progress, higher net incomes, and specialization of production, technologies and working personnel. However, while efficient production in a number of industrial sectors like chemistry, ferrous metallurgy, electric power, mining, machine building, etc. is unthinkable without big enterprises, in others or in the field of services modern production does not absolutely require big or very big enterprises. Neither the risk nor the uncertainty caused by technological changes in the world market or structural change in demand etc. can affect a national economy as much if the investments in some sectors are not concentrated in big enterprises but distributed over a relatively large number of small and medium ones, because the latter are more flexible and can change their assortments, technologies and production structures faster without extra outlays, they are more receptive to changes in the demand for products, and their personnel are easier to reassign to other activities.

It is indicative of the importance of small industry's contribution to diversification of products and satisfaction of the public's demand for small articles especially that restructuring of only one of the subsystems of small industry (transfer of local industry enterprises to national affiliation in 1977) eliminated over 5,000 products of that kind from manufacture, and the ack of them was felt on the market.

Worldwide experience tends to bear out the great vitality evidenced by small enterprises, which vitality lies in prompt application of inventions and innovations to production, higher yields from the invested funds, great flexibility and receptiveness to changes in domestic and foreign market demands and to technological changes.

The intensive development of Romania's national economy, the radical and extensive restructuring of production and technologies, and the telling emphasis upon the qualitative factors affect small and artisan industry in all respects, making its socioeconomic role far more important from the qualitative standpoint. In fact, it is expected to help meet an important domestic and foreign market demand that large-scale industry cannot satisfy. It can operate much more promptly and efficiently in the fields of small and single-series consumer and household goods, artisan artifacts, parts and subassemblies for large-scale industry, and reconditioning and repairs. Therefore the current five-year plan is investing about 7 billion lei in this sector to develop production of consumer goods and construction materials and expand services to the public. As a result, in 1985 the 58,000 and more production and service units of the artisan and consumer cooperatives, the agricultural cooperatives and the people's councils will increase commodity production by more than 60 percent and nearly double the volume of services to the public compared with 1980. Small industry's share in the gross industrial output will grow from about 5-6 percent in 1980 to 18-20 percent expected in 1990.

In conformity with the requirements of intensive development and modernization of the national economy this quantitative gain of small industry is accompanied by major qualitative changes in the form of intensified exploitation of local raw material resources and gradual abandonment of materials, especially scarce ones, from the centralized state reserve through extensive diversification of production and services according to the public's needs and through expanded cooperation with enterprises of national significance. Small industry is to contribute extensively to reconditioning of spare parts, machinery and equipment in the socialist and private sectors, to expansion of the assortment delivered for export, etc.

According to the provisions of Law No 2 of 1980 specifying, among other things, the sphere of organization and the powers for expansion of this sector, all small industry activity is under the guidance and coordination of the people's councils regardless of the units' affiliation and nature (units of production, purchase and sales cooperatives or of agricultural cooperatives and authorized small artisans). The people's councils are responsible for proper organization of the activity of the production and services units, for efficient use of the material resources and labor force, and for the best satisfaction of the public's demands for products and services. Therefore the people's councils must intensify efforts and actions to develop small industry and to provide competent management and guidance for all these units, directly intervening to expand production and services according to local needs and the requirements of modernizing and restructuring the national economy. To that end, in addition to approving the regional plan, the people's councils may take steps for better geographic distribution of small industry development, to organize units, to ensure fulfillment of the plan and the special programs for development, to organize relations with the foreign trade and local trade enterprises and the national units, to utilize local resources and the labor force, to expand the network of service units, to organize contracting with the domestic and foreign trade enterprises, to assign surplus space and equipment to other units and to enhance economic effectiveness. The recent plenum of the Committee on People's Councils Problems passed a number of measures to intensify efforts to develop and diversify small industry and services and to enhance the economic effectiveness of those activities.

In the present stage the problems of small industry are primarily functional-economic ones, in that this important sector of the national economy requires an operating mechanism that must conform of course to the general standards of the system of organization, management and planning used in all socioeconomic activity in Romania but which must also suit the distinctive features and functions peculiar to small industry, such as flexibility and adaptability to market demands. The fexibility of the small industry units' production structure is well known. They usually have a more flexible production process than the big enterprises, which have composite production lines that are highly mechanized and automated but difficult to adjust to rapid changes in the course of the production structure. Moreover the flexibility of the labor force in small industry in performing the various operations to make the various varieties and products makes it readily adaptable to the frequent changes in the production structure. Since the workers are often directly confronted with the major problems of their units, they can display more initiative in solving them (problems of supply of raw materials, materials, energy, tools, devices and dies or of sale of the output).

It follows from this that practical promotion of the functions and features peculiar to small industry requires adjustment of the planning methods as well as the principles of the new economic mechanism to the nature of this activity. Small industry requires more flexibility in some elements of planning and management than those in current use in national industry as, for example, specification of varieties, use of allotments of raw materials out of the centralized reserves, approval of prices by the central organs, use of some indicators similar to those of large-scale industry, etc. How can the varieties be specified when small industry produces and changes its production structure in progress according to the urgent demands of the market, the season and the beneficiaries' natural aspiration to have goods and services that are as diversified as possible and of higher and higher quality? Or how can the allotments of raw materials out of the centralized reserves be used en bloc when small industry must base its activity upon use of local resources? Obviously it is only by methods of planning and management adjusted to its nature that small industry can be in a position to have a permanent and direct contact with the market, knowing the demands of the public and the needs of other enterprises that it serves.

Furthermore, if small industry activity is to be normal, procurement of raw materials and materials as well as sales of products must be on a commercial basis. Therefore the structure of the activities that make up small industry should be more precisely defined in all sectors, as well as the content, scope and method of computing the plan indicators characteristic of small industry. The structure of the industrial and nonindustrial services rendered by small industry units should be more completely and more clearly determined, and a uniform information system should be set up for statistical reporting suited to the activity performed and better correlated both departmentally and geographically with the structure of the plan indicators.

Moreover the people's councils as well as the other coordinating organs with management and control functions must emphasize effective aid to the small and artisan industry units in improving contracts, using the facilities in the technical inventory, organizing sales of products, applying innovations and inventions, effecting commercial advertising on the domestic and foreign markets, making marketing studies, organizing exhibitions and meetings with buyers, and closely cooperating with the trade network and with the enterprises for national and international tourism.

The role of small and artisan industry can be raised to the level of the national economy's requirements quite successfully if the harmonious development of the units in all sectors (state, cooperative and individual artisan activities) is provided for. This major requirement is particularly necessary because there are great differences among these three sectors in development of small and artisan industry's activities, as indicated by the figures in the table.

Besides its small proportion in the industrial total and the discrepancies among sectors, the still one-sided character of small industry is noteworthy, which limits its scope and ability to satisfy the market demands. The analysis of the services structure shows that the operations performed to order, urban passenger and freight transportation, and communal management and housing services amount to more than 65 percent of the total value, while other services in heavy public demand, especially housing construction and repairs, maintenance and repair of

passenger cars, repair of electronic and electrotechnical appliances, laundering and dry cleaning, household and domestic services in the home, services for tourism and recreation, etc., are poorly represented and far behind in all counties.

Proportion of Small Industry in the Industrial Total
(1981)

Indicatori 2	Industria mică — total 3	Din care: 1			
		Consiliile populare județene 4	UCECOM 5	CENTROCOOP 6	UNCAP 7
Valoarea producției-marfă 8	5,9	1,6	2,9	0,9	0,5
Volumul livrărilor de mărfuri către fondul pieței 9	7,0	0,5	4,9	1,6	–
Volumul total al prestărilor de servicii 10	54,9	30,2*	19,6	3,9	1,2

* Cuprinde şi servicii de transport urban de călători şi mărfuri, servicii de gospodărie comunală şi locativă. 11

1. Including:
2. Indicators
3. Small industry total
4. County people's councils
5. Central Union of Artisan Cooperatives
6. Central Union of Consumer Cooperatives
7. National Union of Agricultural Cooperatives
8. Value of commodity output
9. Volume of deliveries of goods to the market reserve
10. Total volume of services

11. Also includes urban passenger and freight transport services and communal management and housing services.

The conclusion is that efforts must be concentrated on rapid development and diversification of small and artisan industry's activity in all sectors but especially in the case of the people's councils, consumer cooperatives, agricultural cooperatives, and individual artisans. That is the only way we can reach an 18-20 percent share of small industry in the industrial total in 1990, which share means a notable foreward step although it is relatively modest compared with the socioeconomic necessities and the real possibilities. If the output of small industry directly under the people's councils is only about 28 percent of the small industry total, it is due to insufficient effort on the part of the executive committees of the people's councils in many communities to develop productive units. In many counties the local potentials have not been exploited to satisfy the public's demands as fully as possible, and the contribution of small industry incomes to balancing the local budgets is still below the possibilities and requirements.

Increasingly active involvement of the people's councils and cooperative organizations in development of small industry is vitally important. By virtue of the rights conferred by law, the people's councils are acting more and more effectively to organize all of small industry's activity in their jurisdictions and to diversify it by making it possible for the spirit of initiative and a high degree of flexibility to manifest themselves in all counties and localities of Romania. The people's councils jointly with all the small industry units in their areas have intensified their efforts to reopen and organize lime kilns, brickyards and small units for quarry and gravel pit equipment, especially by authorizing the private artisans who can satisfy the local demands for some products or construction materials in the course of self-supply of the localities and counties. Meanwhile more decisive action is being taken locally to exploit new resources and reusable materials and to organize workshops for tanning and processing hides of small and domestic animals.* Moreover expansion of the private artisans' workshops would be encouraged by granting some advantages to those engaged in such activities in regard to material supply, the social insurance and pensioning system, etc.

It is no less important to employ some simple forms of organization and material incentive that can bring about full use of the public's productive and inventive energy and spirit of initiative. Raising the ceiling on extra earnings for extra productive work beond the remuneration for the basic activity, use in small industry of pensioners and the population not included in the scope of work, organization of cottage work, and acknowledgement of a second occupation in spare time are worthy of investigation in this connection. This would make it possible for over 1.5 million people to be additionally integrated in small industry activity and services, helping considerably to increase material production and the national income.

Wide-scale expansion of cottage work is being given special consideration as a form with great advantages to both the workers and the organizing unit because it permits enlistment of pensioners, women and other persons in economic activity, revitalization of traditional trades, use of production facilities and premises on private farms without new investments, increasing profitability by cutting overhead, providing extra incomes for the family, etc. Due use has not been made of cottage work although it offers great advantages. One of the causes with a bad effect is, among others, the tendency to concentrate production of handwork and certain consumer goods in big units, although in some cases that means outlays of investment funds and increased technical-operational personnel and overhead.

If cottage work is to make any substantial contribution to growth and diversification of the output of small and artisan industry, it needs definite and effective support in many respects such as, for example, creating conditions for more regular attraction of the temporarily surplus manpower in agriculture by improving the present regulations governing entry on the work card of the time actually worked and the resulting benefits (increase in continuous length of service, pension, etc.).

Invigorating small and artisan industry's activity in the villages can considerably intensify the use and stability of the agricultural labor force and produce

*In the same connection, the initiative and flexibility of the private artisan workshops need to be stimulated.

more consumer goods, thus contributing to the economic development of the villages and the solution of the problems of self-administration and self-supply of the counties, cities and communes.

One of the first requirements for enhancing the role of small and artisan industry is a greater effort on the part of the people's councils to organize and expand some activities more rapidly such as wheel-making, smith's work and repairs, woodworking, tinsmithing, building, storage and industrial processing of vegetables, fruits and other raw materials on a local scale, preparation of food products, ceramics, knitting, production of construction materials and of electric power in small hydroelectric power plants, production of biogas, etc.

While accomplishing the domestic objectives, small industry can and must make a greater contribution to commodity exports by efficient use of its still unexploited potential. That primarily requires adabtability to foreign market demands, which can be achieved by means of a quantitatively and especially qualitatively adequate market reserve, structural diversification of the exports, enlargement of the assortment of products offered the foreign customers, and efficient methods of marketing the products on foreign markets. It is accordingly necessary to cooperate effectively with the export enterprises and to provide services to foreign countries on a wide scale, from studies and forecasts to passenger car repairs. The range of these is quite wide, requiring great initiative and efficiency, knowledge of the beneficiaries' needs and preferences, considerable adaptability and, not least, great competence. It is also necessary to perfect the mechanism for operation and encouragement of small industry's export activity. Accomplishment of that major aim encourages a responsible and competent effort, which alone can result in sound measures for improving the technical inventory and raw material supply system of the small industry units producing for export, for granting better tax incentives, and for setting differentiated quotas for payments out of the profits as well as more favorable terms for crediting production for export.

It is essential for small and artisan industry to base its activity on use of local resources of raw materials, solar energy, wind power and biogas as well as combustion of household wastes for energy purposes. Such resources can be extracted from nature or obtained by recycling reusable materials like wastes and remnants from production, rejects, used articles, cinders etc. This policy is acquiring new validity in view of the limitations of the raw material and energy resources as experience shows that a variety of activities can be developed and practiced by exploiting the local resources. For instance, every county has the raw materials for weaving with straw, reeds and willow twigs. Production of building materials, carvings, stone or marble artifacts and handicrafts with wood and other materials are activities that can make better use of local resources, and no approvals or allotments from the state reserve are needed for the purpose. Sands and clays and small mineral deposits, iron ores or other ores occurring in quantities too small to be effectively exploited in the national enterprises can be exploited in this way.

But local resources are not being exploited in keeping with their great potentials. In quite a few counties the initiatives are limited to a few localities and show inconclusive results. Insufficient use is made of aggregates from river beds, clays, tuff, building stone, limestone, reeds, sorghum straw and

large quantities of agricultural byproducts (straw, corn leaves, willow twigs etc.). The programs to recondition spare parts and to exploit reusable materials and timber from treating forests are progressing too slowly. All this explains why all counties are still resorting to materials from the centralized reserve to a great extent.

All conditions have been created for effective exploitation of local resources. It is the duty of the people's councils to organize this broad program thoroughly. A number of valuable activities related to water management must be expanded on a wide scale, including organization of water mills driven by simple machinery, improvement of lakes and fish ponds, manufacture of simple installations for irrigation and wood processing, as well as expansion and diversification of methods for maximum use of thermal and mineral waters. And processing of wild fruits in a wide assortment, cultivation of medicinal plants, and manufacture of the simple installations needed to process them should be thoroughly organized.

Production in cooperation with enterprises of national significance offers small industry considerable economic advantages in use of production capacities and manpower, technical equipment and aid, securing the orders and the raw material resources, nor are the advantages to the national enterprises any less because this cooperation relieves large-scale industry of productive activities that can be performed more efficiently under small industry conditions, so that they can expand their basic production from which they can make higher profits. Yet the present level of this activity is far below its potentials. One of the reasons is that only a relatively small number of small industry units are provided with machinery and equipment that permits processing in the manufacture of some parts, varieties, and subassemblies made in the national enterprises. Therefore small industry should be equipped by the permanent or temporary transfer of fixed capital that has become surplus in the national enterprises to the small industry units, so that they will gradually be provided with modern fixed capital. That does not exclude but on the contrary requires self-equipment. Unfortunately, however, the self-equipment effort is not sufficient, and that points up once again the people's councils' responsibility for raising the technical level of small industry.

The technical equipment of small industry is essential but not sufficient. There is just as great a need of specialized technical aid from the national enterprises cooperating with the small industry units. If it is helped merely in preparation of manufacture, procuring the technical documentation and manufacturing technologies, following the consumption norms and training personnel, small industry can produce an output of higher quality and in quantities to meet the needs of the national economy.

Small and artisan industry is a vital economic activity with great prospects for development, and it is important to exploit the conditions created for its development effectively. In that way it will be able to make a considerably greater contribution to national economic development and to the people's standard of civilization.

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